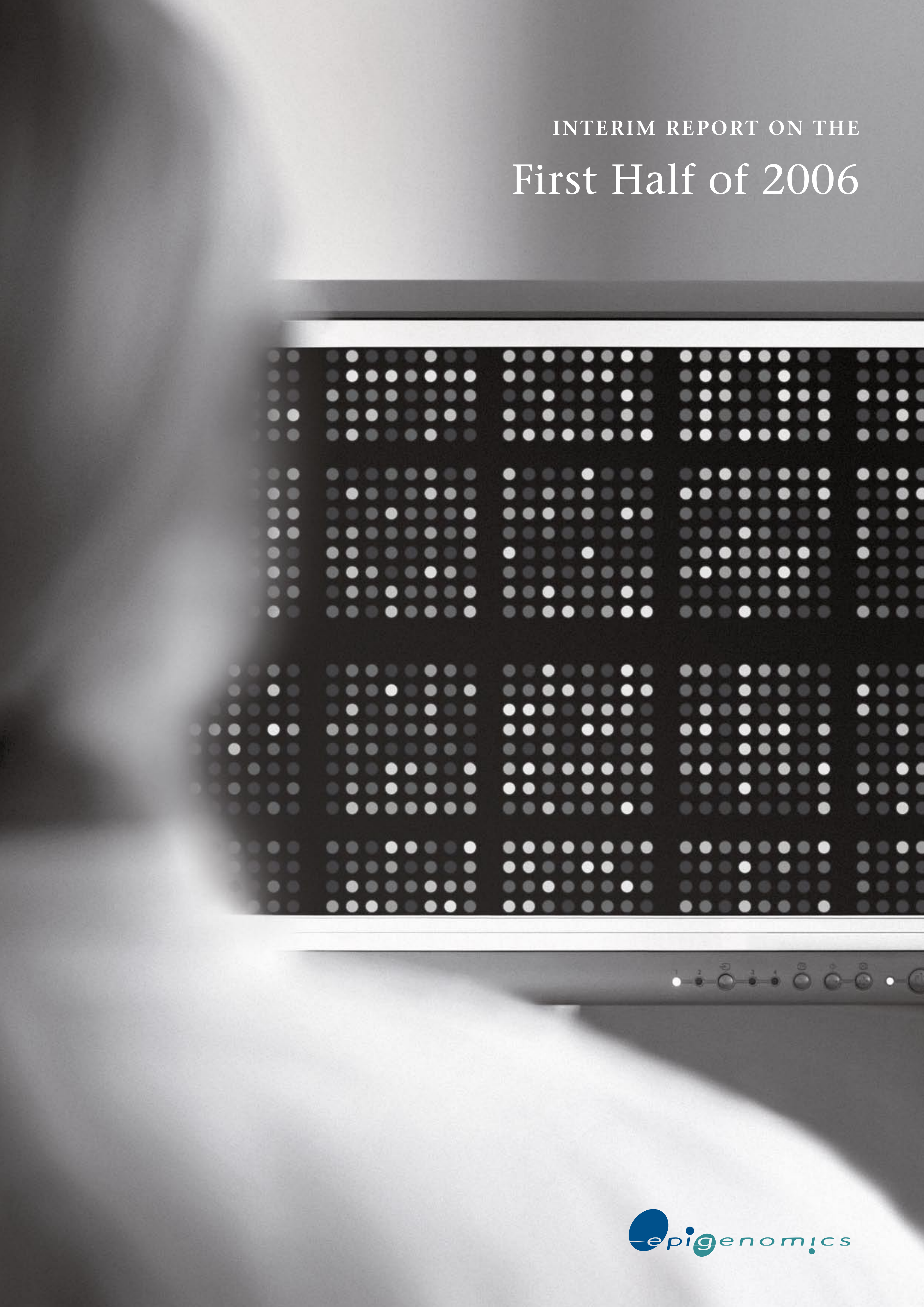
INTERIM REPORT ON THE

First Half of 2006



epigenomics

Key Figures

EUR thousand unless stated otherwise	Q2 2006 (unaudited)	Q2 2005 (unaudited)	H1 2006 (unaudited)	H1 2005 (unaudited)
Revenue	628	1,780	1,096	3,629
Research and development costs	−2,385	−2,052	−4,308	−4,156
Operating result (EBIT)	−4,422	−3,043	−8,431	−5,894
EBITDA	−4,149	−2,618	−7,857	−5,083
Net loss for the period	−4,312	−2,857	−8,199	−5,414
Average number of shares issued (notional par value: EUR 1 each)	16,597,013	16,361,119	16,509,220	16,349,685
Earnings per share in EUR (basic)	−0.26	−0.17	−0.50	−0.33
Cash flow from operating activities			−7,236	−4,071
Cash flow from investing activities			−21	−1,934
Cash flow from financing activities			888	95
Cash flow total (incl. currency adjustments)			−6,380	−5,613

	June 30, 2006 (unaudited)	Dec 31, 2005 (audited)
Liquid assets at balance sheet date (incl. marketable securities)	25,474	32,692
Total equity at balance sheet date	31,816	39,375
Equity ratio in %	82.8	87.5
Total assets at balance sheet date	38,412	44,997
Share price at balance sheet date in EUR	4.79	6.45
Number of employees at balance sheet date	143	141

Management's Discussion & Analysis as of June 30, 2006

THE SECOND QUARTER OF 2006 – OVERVIEW

Qiagen launches first research product; diagnostics platform deal with Affymetrix

Highlights in Q2 2006 were the successful launch of Qiagen's EpiTect bisulfite treatment kit as a research product as well as the strategic diagnostics platform alliance with Affymetrix. Both deals are major steps towards building the components of Epigenomics's own tissue testing business. Whilst the Qiagen deal provides access to the world's leading preanalytics standard, the Affymetrix deal gives us access to the world's premier microarray-based molecular diagnostics system and its entire installed base. Both deals have the potential to be significantly expanded going forward.

During Q2 2006, Epigenomics made significant 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 according to plan. Importantly, in our Clinical Solutions business two follow-on biomarker partnerships were signed with AstraZeneca as well as Philip Morris.

Under the Roche Diagnostics partnership, the colon cancer screening test development continued to show excellent progress. Epigenomics and Roche established a worldwide group of gastrointestinal cancer experts that will act as an advisory panel to Roche in further clinical development and preparing product launch. Also, Epigenomics entered into a research collaboration with Stanford University to evaluate additional potential applications of its colon cancer screening marker by combining a methylation marker with molecular imaging technologies.

Clinical data on a panel consisting of two proprietary biomarkers was presented at the World Congress on Gastrointestinal Cancer in Barcelona (Spain). Epigenomics was able to demonstrate the ability to detect polyps in the colon that are precursors to colon cancer from blood with very good sensitivity and specificity. Not only does this validate the overall development approach and panelling concept combining several markers, but also this opens up the opportunity to address indications beyond colon cancer screening such as monitoring. It demonstrates clear progress in terms of sensitivity of the Epigenomics test.

During Q2 2006, a marker discovery study was initiated in the area of early lung cancer detection, one of the largest market opportunities and highest unmet medical needs beyond colon, prostate and breast screening. This lung cancer diagnostic product whilst earmarked for partnering in the future so far has been an Epigenomics-own development effort. The other three blood-based screening tests are partnered with Roche.

Epigenomics moved its prostate molecular classification test (a tissue-based test aimed at identifying men with a high risk of relapse following radical prostatectomy) into formal clinical development during Q2 2006. Extensive market research was carried out to establish positioning of the product well ahead of its intended market launch in 2008.

Revenue in Q2 2006 amounted to EUR 628 thousand, a significant decrease over the same quarter in 2005 (EUR 1,780 thousand) due to higher Roche R&D revenue recognition in the previous year's period. EBIT for Q2 2006 of EUR –4,422 thousand was in line with our expectations and significantly lower compared to EBIT for Q2 2005 of EUR –3,043 thousand. Short-term liquidity as of June 30, 2006, amounted to EUR 25.5 million, down EUR 7.2 million from year-end 2005.

SEGMENT REPORTING

SBU Diagnostics. During the second quarter of 2006, the SBU Diagnostics generated revenue of EUR 458 thousand (Q2 2005: EUR 1,041 thousand) and a gross profit of EUR –670 thousand (Q2 2005: EUR –378 thousand). Cost of sales of EUR 1,128 thousand during Q2 2006 compared to EUR 1,419 thousand in the same period of 2005 and reflect the continued commitment put into the development of the Roche cancer screening programs. Heavy emphasis was put on the collection of blood samples for the colon cancer as well as prostate cancer screening test developments. Also, several hundred clinical tissue samples were analyzed with the goal of identifying complementary DNA methylation markers to the Septin 9 anchor marker. Several such promising candidate markers have successfully been identified during Q2. Following the development of sensitive detection assays for these marker candidates, Epigenomics development during the second half of 2006 will focus on running large training and testing set studies using hundreds of blood plasma samples to validate these markers and to identify the best-performing biomarker panel for the early detection of colon cancer.

Net contribution of the segment at EUR –2,330 thousand for Q2 2006 compared to EUR –1,078 thousand for the same period in 2005 mirrors the heavy emphasis on our tissue-based product development in prostate and breast cancer indications during Q2 2006 as well as the lung cancer screening program. Q2 saw the successful execution of a marker discovery study for our lung cancer early detection program. The study used our novel DMH (Differential Methylation Hybridization) discovery chip, which has been developed specifically for Epigenomics by Affymetrix. This array covers more than 50,000 positions in the genome and is expected to become the method of choice for DNA methylation marker discovery. R&D costs for the segment at EUR 1,721 thousand were up by over 172 % during Q2 2006 (Q2 2005: EUR 632 thousand). Key achievement during Q2 2006 in our tissue product development was the start of formal clinical development of our PITX2 marker for prostate cancer classification in prostatectomy samples. The clinical development plans were set for transfer onto the Affymetrix platform as well as clinical trial sites identified for the FDA approval trial, which is expected to run in 2007.

SBU Clinical Solutions. During the second quarter of 2006, the SBU Clinical Solutions saw its revenue decrease to EUR 145 thousand (Q2 2005: EUR 729 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. The signing of two follow-on agreements with AstraZeneca and Philip Morris underlines the value added by Epigenomics's biomarker studies to our partners' product development programs. Revenue recognition for these two follow-on deals is expected to contribute throughout the second half of 2006. However, new deal closing has been somewhat slow and lagging behind expectations. Hence, Q3 new business will be critical for achieving overall 2006 revenue and earnings targets for our Clinical Solutions business. Gross profit of EUR 5 thousand for Q2 2006 compared to EUR 358 thousand in Q2 2005. Cost of sales during Q2 2006 were EUR 140 thousand (Q2 2005: EUR 371 thousand). Net contribution of the segment dropped to EUR –418 thousand in Q2 2006 (Q2 2005: EUR –115 thousand).

FINANCIALS

H1 2006 earnings and cash position in line with guidance; lower H1 2006 revenue than H1 2005

Financial position and cash flow. Epigenomics's cash flow and financial position in H1 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 25.5 million as of June 30, 2006, compared to EUR 32.7 million as of December 31, 2005.

Total net cash flow (currency-adjusted) in H1 2006 was negative at EUR –6.4 million. Cash outflow from operating activities in H1 2006 amounting to EUR 7.2 million was partly compensated by cash inflows from financing activities (EUR 0.9 million).

In H1 2006, cash outflow for investments in tangible and intangible assets amounted to no more than EUR 0.4 million compared to planned capital expenditure of more than EUR 1.5 million for the full year of 2006. Significant cash outflows for capital expenditures in the second half of 2006 are expected from the purchase of several Affymetrix diagnostics platform systems.

The cash inflow from financing activities of EUR 0.9 million resulted mainly from exercised stock options in the first trading windows in 2006.

Results of operations. Revenue in H1 2006 amounted to EUR 1.1 million, down from EUR 3.6 million in H1 2005. Compared to Q2 2005 (EUR 1.8 million), revenue in the reporting quarter decreased significantly by 65 % to a total of EUR 0.6 million. The decrease in both SBUs by EUR 0.6 million each was stronger than expected, partly due to reduced R&D payments and partly due to slower development of new business. Cost of sales for the execution of partnered programs decreased by only 37 % to EUR 1.1 million leading to a gross profit on sales of EUR –0.5 million (Q2 2005: EUR 0.0 million). 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 or a potential new collaborative agreement.

Other income was slightly reduced to EUR 0.4 million compared to EUR 0.5 million in Q2 2005, but still increased by 11% in 2006 compared to the six-month period.

In Q2 2006, EBIT dropped to EUR –4.4 million, significantly below the Q2 2005 EBIT of EUR –3.0 million; this was nearly completely a result of the drop in revenue as it was possible to keep the operating costs at the level of the comparable quarter in 2005. Costs for R&D increased from EUR 2.1 million in Q2 2005 to EUR 2.4 million while general and administrative costs remained fairly constant at EUR 1.0 million. Marketing and business development costs increased to EUR 0.6 million from almost EUR 0.4 million in Q2 2005.

Other expenses in Q2 2006 added up to EUR 0.3 million (Q2 2005: EUR 0.0 million), mainly due to currency exchange losses resulting from increased liquidity kept in U.S. dollar.

The financial result of Q2 2006 of EUR 0.2 million was slightly better than in the second quarter of 2005.

Our net loss for the period rose by 51% from EUR 2.9 million in Q2 2005 to EUR 4.3 million in the reporting period. The difference can be explained almost completely by the decrease in revenue.

Net assets position. Epigenomics's balance sheet total decreased from EUR 45.0 million as of December 31, 2005, to a total of EUR 38.4 million as of June 30, 2006. Key driver was again the net consumption of liquidity by operations.

Total non-current assets increased during the H1 reporting period from EUR 9.5 million at year-end 2005 to EUR 10.7 million at the end of June 2006. Tangible assets decreased during the six-month period from EUR 2.0 million to EUR 1.9 million while intangible assets increased simultaneously by EUR 1.5 million. This sharp increase can mainly be explained by the purchase of a development license from Affymetrix under the “Powered by Affymetrix” agreement signed at the end of the reporting period. This license is needed for the Company's ongoing product development activities.

Total current assets decreased from EUR 35.5 million at year-end 2005 to EUR 27.7 million as of June 30, 2006, mainly due to the cash outflow from operations.

Our subscribed capital increased in H1 2006 by 202,168 shares at a notional par value of EUR 1 each due to exercises of stock options in the first trading windows of 2006. These exercises partly caused the increase of the capital reserve in H1 2006 from EUR 32.1 million to EUR 32.9 million. This effect was countered by expensed stock options. The equity ratio dropped to 82.8 % but is expected to rise again in Q3 2006 after the capital increase mentioned under the section "Major events since the end of the reporting period" has been registered.

Total current liabilities added up to EUR 6.6 million at the end of H1 2006, up from EUR 5.6 million at year-end 2005.

OUR STOCK

Liquidity in Epigenomics's shares slightly lower; free float increased

Trading volume in Epigenomics's stock decreased slightly during Q2 2006, averaging around 22,000 shares a day, compared to approximately 29,000 per day in Q1 2006. The share price decreased by 25 % during Q2 2006. The closing price on June 30, 2006, was EUR 4.79 per share on XETRA compared to EUR 6.38 per share at the end of Q1 2006.

During Q2 2006, a total of 147,419 new shares was created from the exercise of stock options. The free float increased to 56,9 % at the end of Q2 2006.

Ticker:	ECX
Exchange:	Frankfurt (Prime Standard)
Security Code:	A0BVT9
ISIN:	DE000A0BVT96
Shares Outstanding:	16,605,346
Price range in Q2 2006:	EUR 4.13 – 6.40 (XETRA closing prices)
Analyst Coverage	
DZ Bank:	Dr. Patrick Fuchs
Lehman Brothers:	Philippa Gardner
Morgan Stanley:	Dan Mahony, Ph.D.

(as of June 30, 2006)

MAJOR EVENTS SINCE THE END OF THE REPORTING PERIOD

Annual General Shareholders' Meeting. On July 10, 2006, Epigenomics AG held its second ordinary Annual General Shareholders' Meeting (AGM) as a public company in Berlin, Germany. Details on the agenda, decision proposals and voting results can be found on our corporate website www.epigenomics.com.

After more than five years of service on the Supervisory Board, John Berriman did not run for re-election. With Günther Frankenne, former CEO of Sandoz AG Germany (Novartis), elected onto the Supervisory Board, the Company has added an excellent expert to contribute to its further successful development.

Capital increase by contribution in kind – Affymetrix to invest in Epigenomics as part of the "Powered by Affymetrix" deal. On July 20, 2006, Epigenomics AG issued an ad hoc announcement to the effect that its Executive Board and its Supervisory Board have decided to partially use the authorized capital and increase Epigenomics AG's subscribed capital. The increase occurred by Affymetrix contributing in kind certain receivables emanating from the upfront payment agreed upon under the "Powered by Affymetrix" agreement entered into in late June 2006. Epigenomics will increase its subscribed capital by issuing 304,791 new shares. Preemptive rights of existing shareholders were excluded.

PROGNOSIS REPORT FOR H2 2006 / H1 2007

Tissue tests in clinical development; further data on screening tests; new licensees and partnerships

Tissue tests. Our goals in tissue-based molecular pathology testing continue to be:

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

Blood tests. Epigenomics expects to complete its colorectal cancer early detection data set in Q4 2006 based on enhanced assay and workflows including additional methylation markers successfully identified already during H1 2006. 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. One of the developmental goals for some of the blood-based screening tests (colon / lung) is to establish one or more of the assays and have DNA methylation workflow in a CLIA-certified 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 and 2007. 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.

Overall. Management expects liquidity at year-end at the lower end of our previous guidance. Due to timing and structuring of expected deal flow in the second half of 2006, the associated revenue and consequently EBIT are expected to be somewhat below previous expectations for fiscal 2006 since short-term revenue recognition is anticipated below cash inflow on some of the deals. 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 and the lung cancer screening test, the establishment of a U.S. reference lab outlet for our tests pre IVD kit launch, new pharmaceutical and biotech partnerships in our SBU Clinical Solutions and the successful execution 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 June 30, 2006

Group Income Statement

EUR thousand (unaudited)	Q2 2006	Q2 2005	H1 2006	H1 2005
Revenue	**628**	**1,780**	**1,096**	**3,629**
Cost of sales	–1,144	–1,811	–2,422	–3,287
Gross profit	**–516**	**–31**	**–1,326**	**342**
Other income	444	489	941	848
Research and development costs	–2,385	–2,052	–4,308	–4,156
Marketing and business development costs	–609	–367	–1,203	–717
General and administrative costs	–1,040	–1,079	–2,063	–2,072
Other expenses	–316	–3	–472	–140
Operating result (EBIT)	**–4,422**	**–3,043**	**–8,431**	**–5,894**
Financial result	220	198	433	503
Net loss for the period before taxes on income	**–4,202**	**–2,846**	**–7,998**	**–5,391**
Taxes on income	–110	–11	–201	–23
Net loss for the period	**–4,312**	**–2,857**	**–8,199**	**–5,414**
Earnings per share (basic) in EUR	**–0.26**	**–0.17**	**–0.50**	**–0.33**

Group Balance Sheet

Assets

EUR thousand	June 30, 2006 (unaudited)	Dec 31, 2005 (audited)
Non-current assets		
Intangible assets	6,733	5,183
thereof goodwill	*2,625*	*2,625*
Tangible assets	1,899	2,000
Financial assets	1,000	1,000
Deferred taxes	1,086	1,258
Other non-current assets	29	30
Total non-current assets	**10,747**	**9,471**
Current assets		
Inventories	95	208
Trade and other receivables	386	734
Marketable securities	8,335	9,173
Cash and cash equivalents	17,139	23,519
Other current assets	1,710	1,892
Total current assets	**27,665**	**35,526**
Total assets	**38,412**	**44,997**

Equity and liabilities

EUR thousand	June 30, 2006 (unaudited)	Dec 31, 2005 (audited)
Equity		
Subscribed capital	16,605	16,403
Capital reserve	32,856	32,072
Retained earnings	−8,788	0
Net loss for the period	−8,199	−8,788
Other comprehensive income	−658	−312
Total equity	**31,816**	**39,375**
Non-current liabilities		
Liabilities from leasing contracts	0	4
Total non-current liabilities	**0**	**4**
Current liabilities		
Trade payables	2.507	1,060
Liabilities from leasing contracts	23	40
Deferred income	1,926	2,168
Other liabilities	1,359	1,553
Provisions	781	797
Total current liabilities	**6,596**	**5,618**
Total equity and liabilities	**38,412**	**44,997**

Group Cash Flow Statement

EUR thousand	H1 2006 (unaudited)	H1 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	**–7,998**	**–5,391**
Corrections for:		
Depreciation on tangible assets	436	608
Amortization of intangible assets	137	204
Losses (H1 2005: gains) from the disposal of assets	1	–1
Stock option expenses	77	143
Foreign currency exchange gains	–14	–284
Price losses of securities	83	81
Other financing expenses	6	31
Interest income	–568	–634
Interest expenses	17	7
Taxes	–102	–85
Inflows not affecting net income	0	104
Operating result before changes in net current assets	**–7,925**	**–5,217**
Decrease in trade receivables and other current assets	520	356
Decrease in inventories (H1 2005: increase)	113	–29
Decrease in current liabilities (H1 2005: increase)	–584	373
Liquidity earned from operating activities	**–7,876**	**–4,517**
Interest received	640	446
Cash flow from operating activities	**–7,236**	**–4,071**
Investing activities		
Payments for investments in tangible assets	–318	–597
Payments for investments in intangible assets	–102	–181
Proceeds from divestments of financial assets	0	750
Proceeds from the sale of marketable securities	1,396	2,363
Payments for the purchase of marketable securities	–997	–4,269
Cash flow from investing activities	**–21**	**–1,934**
Financing activities		
Interest payments for silent partnerships	0	–13
Payments for lease financing	–22	–17
Proceeds from the exercise of stock options	910	125
Cash flow from financing activities	**888**	**95**
Cash flow	**–6,369**	**–5,910**
Currency adjustments	–11	297
Cash and cash equivalents at the end of the period	**17,139**	**26,553**

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
December 31, 2005	**16,403**	**32,072**	**–8,788**	**0**	**–312**	**39,375**
Net loss for the period H1 2006	0	0	0	–8,199	0	–8,199
Fair value adjustments of securities	0	0	0	0	–346	–346
Total comprehensive income	**0**	**0**	**0**	**–8,199**	**–346**	**–8,545**
Exercise of stock options	202	707	0	0	0	909
Stock-based compensation	0	77	0	0	0	77
June 30, 2006	**16,605**	**32,856**	**–8,788**	**–8,199**	**–658**	**31,816**

EUR thousand (unaudited)	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other compreh. income	Group equity
December 31, 2004	**16,334**	**42,364**	**–11,009**	**0**	**50**	**47,739**
Net loss for the period H1 2005	0	0	0	–5,414	0	–5,414
Fair value adjustments of securities	0	0	0	0	–110	–110
Total comprehensive income	**0**	**0**	**0**	**–5,414**	**–110**	**–5,524**
Exercise of stock options	32	93	0	0	0	125
Stock-based compensation	0	143	0	0	0	143
June 30, 2005	**16,366**	**42,600**	**–11,009**	**–5,414**	**–60**	**42,482**

Notes to the Q2 / H1 2006 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.

The reporting period as defined in these consolidated financial statements is the period from January 1, 2006, to June 30, 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

	June 30, 2006	Dec 31, 2005
EUR/USD	1.2713	1.1797

Average rates

	H1 2006	H1 2005
EUR/USD	1.2369	1.2773

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 Q2 2006. The decrease of 65 % in revenue compared to Q2 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	Q2 2006	Q2 2005	H1 2006	H1 2005
Third-party research grants	203	133	559	353
Exchange gains from currency conversion	155	236	155	305
Income from option exercises	45	92	45	141
Income from liquidation of provisions	12	25	96	44
Recoveries and refunds	29	0	80	0
Other	0	3	6	5
Total	**444**	**489**	**941**	**848**

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

	Q2 2006					Q2 2005				
EUR thousand	Cost of sales	R&D costs	M&BD costs	G&A costs	Total	Cost of sales	R&D costs	M&BD costs	G&A costs	Total
Materials / consumables	271	575	1	0	847	501	177	0	1	679
Depreciation and amortization	25	162	30	55	272	46	282	2	97	427
Staff costs	443	1,134	215	402	2,194	744	968	195	488	2,395
Other costs	405	514	363	583	1,865	520	625	170	493	1,808
Total	**1,144**	**2,385**	**609**	**1,040**	**5,178**	**1,811**	**2,052**	**367**	**1,079**	**5,309**

	H1 2006					H1 2005				
EUR thousand	Cost of sales	R&D costs	M&BD costs	G&A costs	Total	Cost of sales	R&D costs	M&BD costs	G&A costs	Total
Materials / consumables	619	878	1	0	1,498	924	447	0	1	1,372
Depreciation and amortization	77	344	57	97	575	85	485	3	239	812
Staff costs	973	2,221	479	816	4,489	1,222	1,952	357	888	4,419
Other costs	753	865	666	1,150	3,434	1,056	1,272	357	944	3,629
Total	**2,422**	**4,308**	**1,203**	**2,063**	**9,996**	**3,287**	**4,156**	**717**	**2,072**	**10,232**

Personnel expenses and headcount

EUR thousand	Q2 2006	Q2 2005	H1 2006	H1 2005
Wages and salaries	1,858	1,962	3,758	3,890
Stock option compensation expenses	16	69	77	143
Social security expenses	320	364	654	678
Total personnel expenses	**2,194**	**2,395**	**4,489**	**4,711**

The number of employees at June 30, 2006, amounted to 143 (December 31, 2005: 141 and June 30, 2005: 147).

Operating result (EBIT) and EBITDA. The operating result (EBIT) of Q2 2006 amounted to EUR –4,422 thousand, a 45 % increase compared to Q2 2005 (EUR –3,043 thousand). EBITDA of Q2 2006 was EUR –4,149 thousand (Q2 2005: EUR –2,618 thousand).

Financial result

EUR thousand	Q2 2006	Q2 2005	H1 2006	H1 2005
Interest and related income	237	333	568	625
Interest and related expenses	–8	–7	–17	–9
Other financial income	23	4	30	60
Other financial expenses	–32	–132	–148	–173
Total financial result	**220**	**198**	**433**	**503**

Taxes on income. Income taxes of EUR 110 thousand had to be recorded exclusively for the U.S. subsidiary Epigenomics, Inc. in Q2 2006 (Q2 2005: EUR 11 thousand). The amount comprised U.S. federal (deferred) taxes of EUR 99 thousand as well as state and local taxes of EUR 11 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.

	Q2 2006	Q2 2005	H1 2006	H1 2005
Net loss for the period in EUR thousand	–4,312	–2,857	–8,199	–5,414
Weighted-average number of shares issued	16,597,013	16,361,119	16,509,220	16,349,685
Earnings per share in EUR (basic)	**–0.26**	**–0.17**	**–0.50**	**–0.33**

The outstanding stock options granted by the Company are antidilutive according to IAS 33.41 and 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 16,605,346.

NOTES TO THE GROUP BALANCE SHEET

Non-current assets. Non-current assets increased during H1 2006 by EUR 1,277 thousand mainly due to the purchase of a product development license. Net capital expenditures in H1 2006 amounted to EUR 2.0 million (H1 2005: EUR 0.7 million) and were partly offset by depreciation and amortization of EUR 575 thousand (H1 2005: EUR 812 thousand).

Deferred tax assets decreased to EUR 1,086 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 period by EUR 7,862 thousand. This decrease mainly mirrors the Group's consumption of liquid assets in H1 2006 of EUR 7,218 thousand.

Trade and other receivables listed in the amount of EUR 386 thousand (Dec 31, 2005: EUR 734 thousand) are comprised predominantly of trade receivables due from customers. There were no reasons for value adjustments of individual receivables at balance sheet date.

Current liabilities. Trade payables increased significantly as of June 30, 2006, to EUR 2,507 thousand (Dec 31, 2005: EUR 1,060 thousand). This increase can be explained nearly completely by an invoice payable to Affymetrix Inc., which was contributed in kind after the reporting date and balanced by a capital increase.

Deferred income decreased to EUR 1,926 thousand at June 30, 2006, (Dec 31, 2005: EUR 2,168 thousand) and includes income from commercial cooperations amounting to EUR 1,483 thousand and income from granted projects amounting to EUR 443 thousand.

Notes to the stock option plans. No further stock options were granted in the reporting quarter.

In the six-month period, 202,168 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 average exercise price of EUR 4.76. The number of all outstanding options as of June 30, 2006, decreased to 606,734.

Option holder	Options issued as of Dec 31, 2005	Options issued in H1 2006	Options forfeited in H1 2006	Options exercised in H1 2006	Options issued as of June 30, 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	41,167	202,168	337,532
Total options	**746,069**	**104,000**	**41,167**	**202,168**	**606,734**

The consolidated financial statements for 2005 have shown a total number of options issued to Executive Board members as of December 31, 2005, of 400,845. This number had included 131,643 options issued to the former Executive Board members R. Gary Schweikhardt and Aron Braun. In the table on page 15, these options have now been reclassified as options issued to “Other”.

Terms of options outstanding:

Expiry date	Exercise price in EUR	June 30, 2006 number	Dec 31, 2005 number
2008	1.76	12,750	12,750
	1.94	4,403	6,791
	4.53	17,829	35,920
2009	4.53	30,910	32,929
2010	4.53	54,797	97,264
2011	4.53	355,525	521,895
	7.15	4,500	9,500
2012	7.29	22,340	25,340
	8.13	3,680	3,680
2013	6.93	100,000	0
Total		**606,734**	**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

The Company's business model is set up on two strategic business units (SBUs): Diagnostics and Clinical Solutions (formerly: Pharma Technology). The SBU Diagnostics develops diagnostic tests for the early detection, classification and monitoring of cancer and commercializes these through in vitro diagnostic partnerships such as the Roche Diagnostics alliance as well as own product development. The SBU Clinical Solutions focuses on programs that are geared towards analyzing biomarkers for specific cancer drugs and assisting partnering pharmaceutical and biotech companies in their respective drug development programs.

The income statements for the SBUs do not contain any intersegment charges.

Segment results

	Diagnostics		Clinical Solutions		Other		Epigenomics Total	
EUR thousand (unaudited)	Q2 2006	Q2 2005	Q2 2006	Q2 2005	Q2 2006	Q2 2005	Q2 2006	Q2 2005
Revenue	**458**	**1,041**	**145**	**729**	**25**	**10**	**628**	**1,780**
Cost of sales	–1,128	–1,419	–140	–371	124	–21	–1,144	–1,811
Gross profit	**–670**	**–378**	**5**	**358**	**149**	**–11**	**–516**	**–31**
Gross margin	*–146%*	*–36%*	*3%*	*49%*			*–86%*	*–2%*
Other income	196	40	8	0	240	449	444	489
Research and development costs	–1,721	–632	–312	–308	–352	–1,112	–2,385	–2,052
Marketing and business development costs	–134	–108	–119	–165	–356	–94	– 609	–367
General and administrative costs	0	0	0	0	–1,040	–1,079	–1,040	–1,079
Other expenses	–1	0	0	0	–315	–3	–316	–3
Segment results	**–2,330**	**–1,078**	**–418**	**–115**	**–1,674**	**–1,850**	**–4,422**	**–3,043**

Segment results

	Diagnostics		Clinical Solutions		Other		Epigenomics Total	
EUR thousand (unaudited)	H1 2006	H1 2005	H1 2006	H1 2005	H1 2006	H1 2005	H1 2006	H1 2005
Revenue	**748**	**2,233**	**274**	**1,386**	**74**	**10**	**1,096**	**3,629**
Cost of sales	–2,027	–2,594	–427	–672	32	–21	–2,422	–3,287
Gross profit	**–1,279**	**–361**	**–153**	**714**	**106**	**–11**	**–1,326**	**342**
Gross margin	*–171%*	*–16%*	*–56%*	*51%*			*–124%*	*9%*
Other income	516	80	10	0	415	768	941	848
Research and development costs	– 3,173	–1,429	–480	–617	–655	–2,109	–4,308	–4,156
Marketing and business development costs	– 333	– 210	–271	–337	–599	–170	–1,203	–717
General and administrative costs	0	0	0	0	–2,063	–2,072	–2,063	–2,072
Other expenses	–14	–1	–2	0	–456	–139	–472	–140
Segment results	**–4,283**	**–1,921**	**–896**	**–241**	**–3,252**	**–3,732**	**–8,431**	**–5,894**

Corporate Calendar

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Interim Report September 30, 2006

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This interim report is also available in German.