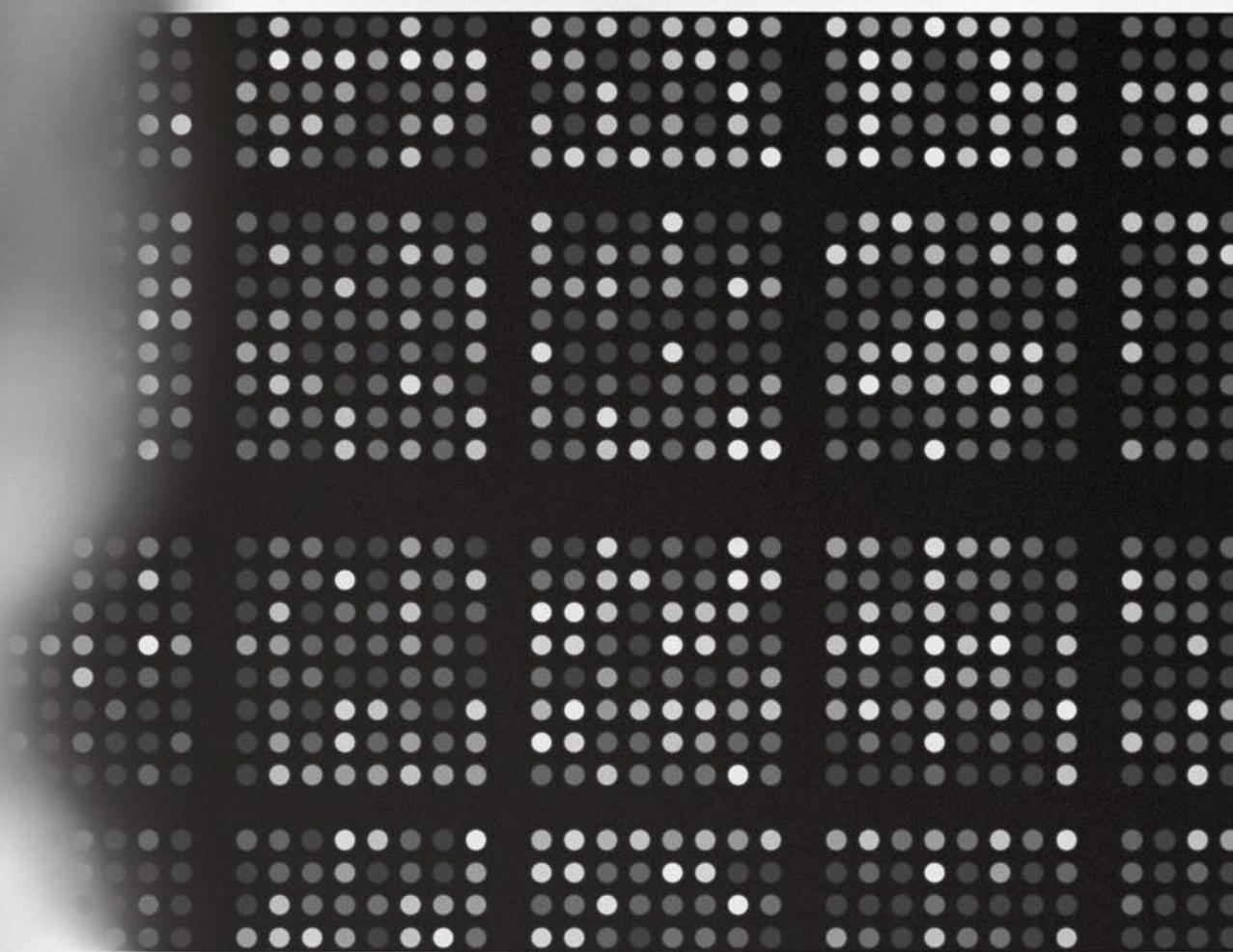


# 9-Month Report 2006

JANUARY 1 - SEPTEMBER 30



# Key Figures

<b>EUR thousand unless stated otherwise</b>	<b>Q3 2006 (unaudited)</b>	<b>Q3 2005 (unaudited)</b>	<b>9M 2006 (unaudited)</b>	<b>9M 2005 (unaudited)</b>
Revenue	1,203	2,110	2,299	5,739
Research and development costs	-2,198	-2,002	-6,507	-6,158
Operating result (EBIT)	-3,790	-3,026	-12,221	-8,922
EBITDA	-3,396	-2,215	-11,254	-7,785
Net loss for the period	-3,740	-2,774	-11,939	-8,189
Average number of shares issued (notional par value: EUR 1 each)	16,812,828	16,393,595	16,610,423	16,364,321
Earnings per share in EUR (basic)	-0.22	-0.17	-0.72	-0.50
Cash flow from operating activities			-10,877	-7,091
Cash flow from investing activities			1,317	-3,020
Cash flow from financing activities			856	232
Cash flow total (incl. currency adjustments)			-8,700	-9,577

	<b>Sept 30, 2006 (unaudited)</b>	<b>Dec 31, 2005 (audited)</b>
Liquid assets at balance sheet date (incl. marketable securities)	21,150	32,692
Total equity at balance sheet date	29,699	39,375
Equity ratio in %	86.4	87.5
Total assets at balance sheet date	34,384	44,997
Share price at balance sheet date in EUR	4.05	6.45
Number of employees at balance sheet date	152	141

# Management's Discussion & Analysis as of September 30, 2006

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## THE THIRD QUARTER OF 2006 – OVERVIEW

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### Fundamentals and product development on track – search for CEO well under way

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During the third quarter of 2006, several important steps were taken to progress the product development programs in both strategic areas of blood-based early detection of cancer and tissue-based cancer classification and prognosis.

The colon cancer screening test development with Roche Diagnostics progressed as planned. Following successful identification of additional DNA methylation marker candidates, a blinded clinical study to evaluate the potential for enhancing the product's clinical performance characteristics has been initiated. Completion is expected by year-end 2006. Also, high-caliber clinical advisory panels consisting of leading gastrointestinal experts have been formed. The group includes opinion leaders from the U.S. and Europe and shall advise Roche Diagnostics and Epigenomics,

respectively, on the further development of the product.

A first study in the area of lung cancer early detection was completed successfully. Many DNA methylation marker candidates were identified that can detect various types of lung cancer. This constitutes a first step towards a product development for a lung cancer screening test.

The strategic diagnostics platform agreement with Affymetrix for the tissue-based tests was further strengthened on July 21, 2006, when Affymetrix became a shareholder of Epigenomics AG by means of a contribution in kind and a resulting capital increase. Also, the transfer of the first tissue product onto the Affymetrix platform progressed on track. Clinical trial site recruitment is ongoing and an early collaboration meeting with the FDA was successfully completed in Q3.

On July 10, 2006, Epigenomics AG successfully held its second Annual General Shareholders' Meeting (AGM) in Berlin. With over 70% of the shares represented at the meeting, all decision proposals received the required majority votes. Among other things a new member joined the Supervisory Board. Guenter Frankenne brings to Epigenomics many years of experience in the pharmaceutical industry combined with experience from numerous biotech boards.

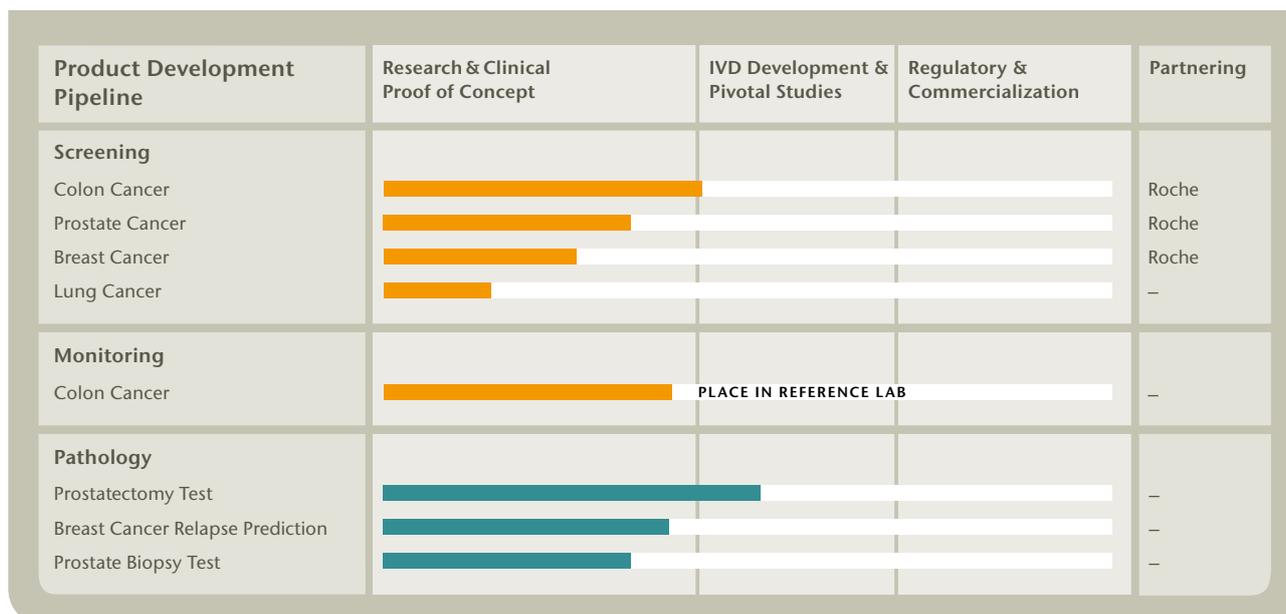
On August 17, 2006, Alexander Olek, Ph.D., co-founder and Chief Executive Officer of Epigenomics AG for many years standing, resigned from his position. We thank Mr. Olek for his dedicated work and for playing a defining

role in the development of the Company. The Executive Board continues to run the Company with Christian Piepenbrock as COO and Head of the Diagnostics business, Dr. Kurt Berlin as CSO and Oliver Schacht, Ph.D., as CFO of Epigenomics AG and CEO of U.S. subsidiary Epigenomics, Inc. Efforts to identify the best possible CEO candidate are well underway and the Company is committed to find an adequate successor before year-end 2006.

Revenue in Q3 2006 amounted to EUR 1.2 million, a significant decrease over the same quarter in 2005 (EUR 2.1 million) due to higher Roche R&D revenue recognition in the previous year’s period. EBIT for Q3 2006 of EUR –3.8 million was significantly lower compared to EBIT for Q3 2005 of EUR –3.0 million. Short-term liquidity as of September 30, 2006, amounted to EUR 21.2 million, down from EUR 32.7 million at year-end 2005.

SEGMENT REPORTING

**SBU Diagnostics.** During the third quarter of 2006, the SBU Diagnostics generated revenue of EUR 0.5 million (Q3 2005: EUR 1.3 million) and a gross profit of EUR –0.7 million (Q3 2005: EUR –0.5 million). Cost of sales of EUR 1.3 million during Q3 2006 compared to EUR 1.8 million in the same period of 2005 reflect the progress in the development of the Roche colon cancer screening program as well as continued work in the areas of prostate and breast cancer screening test development under the Roche collaboration. Heavy emphasis was put on the prospective collection of blood samples for the colon cancer as well as blood and urine samples for the prostate cancer screening test developments. Following the development of sensitive detection assays for the novel colon cancer marker candidates, Epigenomics’s development during the remainder of 2006 will focus on running large clinical 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.



Status: October 31, 2006

Blood Based

Tissue Based

Net earnings contribution of the segment at EUR –2.3 million for Q3 2006 compared to EUR –1.4 million for the same period in 2005 mirrors the steps taken in our tissue-based product development in prostate and breast cancer indications during Q3 2006 as well as the lung cancer screening program. R&D costs for the segment at EUR 1.5 million were up by 129% during Q3 2006 (Q3 2005: EUR 0.6 million). This increase reflects the fact that Epigenomics is now fully funding the development of its tissue-based cancer prognosis tests. Key achievement during Q3 2006 in our tissue product development was the progress of our PITX2 marker for prostate cancer classification in prostatectomy samples. The clinical development to transfer the product onto the Affymetrix platform as well as clinical trial site identification for the FDA approval trial, which is expected to run in 2007, all progressed on track.

**SBU Clinical Solutions.** During the third quarter of 2006, the SBU Clinical Solutions saw its revenue decrease to EUR 0.2 million (Q3 2005: EUR 0.8 million). 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. Revenue recognition for the two follow-on deals (AstraZeneca and Philip Morris) as well as the new biomarker R&D collaboration in oncology with Johnson & Johnson is expected to contribute throughout the remainder of 2006. New business generation has been slower than expected and is lagging behind expectations. Gross profit of EUR 0.1 million for Q3 2006 compared to EUR 0.6 million in Q3 2005. Net earnings contribution of the segment dropped to EUR –0.4 million in Q3 2006 (Q3 2005: EUR +0.2 million).

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## FINANCIALS

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### Earnings and cash position in line with guidance; revenue behind expectations

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**Financial position and cash flow.** Epigenomics's cash flow and financial position in 9M 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 21.2 million as of September 30, 2006, compared to EUR 32.7 million as of December 31, 2005.

Total net cash flow (currency-adjusted) for 9M 2006 was negative at EUR –8.7 million. Cash outflow from operating activities for 9M 2006 amounting to EUR 10.9 million was partly compensated by cash inflows from financing activities (EUR 0.9 million) and investing activities (EUR 1.3 million).

The net cash inflow from investing activities was mainly a result of a continued sale of marketable securities. In 9M 2006, cash outflow for investments in tangible and intangible assets amounted to EUR 1.2 million. Thereof, a major portion was attributable to the purchase of Affymetrix' diagnostics platform equipment in Q3 for Epigenomics's tissue-based diagnostic tests.

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 9M 2006 amounted to EUR 2.3 million, down from EUR 5.7 million in 9M 2005. Compared to Q3 2005 (EUR 2.1 million), revenue in the reporting quarter decreased again significantly by 43% to a total of EUR 1.2 million. The Q3 decrease in both SBUs by EUR 0.7 million each was stronger than expected, partly due to reduced R&D payments and partly due to disappointing new business generation. However, it was almost compensated by a one-off research-based revenue of EUR 0.5 million related to certain services provided as part of the Human Epigenome Project. Cost of sales for the execution of partnered programs decreased by 37% to EUR 1.3 million (Q3 2005: 2.1 million) leaving no gross profit on sales. The operating activities mirrored by these cost of sales – especially in Diagnostics – are expected to pay off in Q4 2006, e.g. by significant success-based revenue or a potential new collaborative agreement.

Other income was slightly lower at EUR 0.3 million compared to EUR 0.4 million in Q3 2005, but in a nine-month view still equaling the previous year's number (EUR 1.2 million).

In Q3 2006, EBIT dropped to EUR –3.8 million, significantly below the Q3 2005 EBIT of EUR –3.0 million; this was mostly a result of the drop in revenue as operating costs were kept near previous year's level. Costs for R&D increased from EUR 2.0 million in Q3 2005 to EUR 2.2 million and general and administrative costs from EUR 0.9 million in Q3 2005 to EUR 1.0 million in the reporting quarter. Marketing and business development costs increased to EUR 0.7 million from just under EUR 0.5 million in Q3 2005.

The financial result of Q3 2006 of EUR 0.1 million was lower than in the third quarter of 2005 (EUR 0.3 million), mainly due to a lower level of liquidity.

Our net loss for the period widened by 35% from EUR 2.8 million in Q3 2005 to EUR 3.7 million in the reporting period. The difference can be explained almost completely by the lower revenue base.

**Net assets position.** Epigenomics's balance sheet total decreased from EUR 45.0 million as of December 31, 2005, to a total of EUR 34.4 million as of September 30, 2006. This was mainly attributable to the net consumption of liquidity by operations.

During the 9M reporting period, total non-current assets increased from EUR 9.5 million at year-end 2005 to EUR 11.2 million at the end of September 2006. In the same period, tangible assets increased from EUR 2.0 million to EUR 2.4 million and intangible assets simultaneously by EUR 1.5 million. This sharp rise can chiefly be explained by the purchase of a development license and technical equipment from Affymetrix under the "Powered by Affymetrix" agreement signed in June 2006.

Total current assets decreased from EUR 35.5 million at year-end 2005 to EUR 23.2 million as of September 30, 2006, mainly due to the cash outflow from operations.

Our subscribed capital increased in 9M 2006 by 511,247 shares at a notional par value of EUR 1 each due to a capital increase in connection with the aforementioned "Powered by Affymetrix" agreement on the one hand and exercises of stock options in the first trading windows of 2006 on the other hand. Accordingly, this led to an increase of the capital reserve of nearly EUR 2.0 million. The equity ratio now reads 86.4%.

Total current liabilities added up to EUR 4.7 million at the end of September 2006, down from EUR 5.6 million at year-end 2005. This decrease was mainly attributable to revenue recognition from deferred income and other liabilities.

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 OUR STOCK
 

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 Share price under pressure at  
 low average trading volumes
 

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Trading volume in Epigenomics's stock decreased slightly during Q3 2006, averaging around 17,000 shares a day, compared to approximately 22,000 per day in Q2 2006. The share price dropped by 16% during Q3 2006. The closing price on September 30, 2006, was EUR 4.05 per share on XETRA compared to EUR 4.79 per share at the end of Q2 2006.

During Q3 2006, a total of 4,288 new shares were created from the exercise of stock options. Furthermore, 304,791 shares were created as part of the capital increase following Affymetrix Inc.'s contribution in kind under the strategic platform deal. The free float decreased slightly to 56.4% at the end of Q3 2006.

<b>Ticker:</b>	ECX
<b>Exchange:</b>	Frankfurt (Prime Standard)
<b>Security Code:</b>	A0BVT9
<b>ISIN:</b>	DE000A0BVT96
<b>Shares Outstanding:</b>	16,914,425
<b>Price range in Q3 2006:</b>	EUR 3.40–5.55 (XETRA closing prices)

**Analyst Coverage**

<b>DZ Bank:</b>	Dr. Patrick Fuchs
<b>Lehmann Brothers:</b>	Philippa Gardner
<b>Morgan Stanley:</b>	Dan Mahony, Ph.D.

(as of September 30, 2006)

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 MAJOR EVENTS SINCE THE END  
 OF THE REPORTING PERIOD
 

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**Berlin operations streamlined – workforce reduced by 34 positions; Business strategy unchanged – focus on key value drivers.** On October 26, 2006, Epigenomics announced that it has completed an internal review of current operations in the context of its defined business strategy. To maximize its future growth potential and to enforce financial discipline, Epigenomics will focus its product development efforts entirely on later-stage programs in oncology, which are the company's key value drivers and greatest commercial opportunities. The partnership with Roche Diagnostics will not be affected by this measure. New clinical data from the colorectal and prostate cancer screening programs of this collaboration are expected in December as planned.

As a consequence, several early-stage research projects in disease indications outside of oncology as well as internal biomarker discovery work in some cancer indications will be scaled down, delayed or halted altogether. Epigenomics will also discontinue its clinical solutions service offering "EpiTrial" and streamline its operations accordingly. Epigenomics will continue to offer biomarker collaborations to pharmaceutical and biotech companies.

As part of the overall shift towards later-stage product development, Epigenomics will scale back its research and technology development operations and software development / IT efforts, as well as adjust administrative functions in its Berlin headquarters. As a result, Epigenomics will reduce its Berlin-based workforce by 34 positions to 78 by the end of the first quarter of 2007. The Berlin based tissue test development will not be affected by this measure. After the restructuring, Epigenomics will employ a total of 118 staff at its locations in Berlin and Seattle. Annual cost savings of about 3 million euros are expected from these measures.

**Lawsuit filed by individual shareholder.** In October 2006, Epigenomics was informed of a lawsuit against certain decisions approved by the majority of the shareholders at the AGM filed by an individual shareholder who at the time of the AGM held two shares of Epigenomics AG. The issues are of a formal nature and relate to the new stock option program. Epigenomics’s management views this lawsuit as unfounded, frivolous, and clearly not in the best interest of the Company’s shareholders and has retained legal counsel to safeguard the Company’s interests.

.....  
 PROGNOSIS REPORT FOR  
 Q4 2006/FISCAL YEAR 2007  
 .....

**Tissue tests progress in clinical development; further data on screening tests; new partnerships**

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**Blood tests: Finding cancer early.** Epigenomics expects to complete its colorectal cancer early detection data set in Q4 2006 including additional methylation markers successfully identified already during the first nine months of 2006. The goal is to demonstrate improvements in test performance. Also, initial data in blood and urine is expected to be available for the prostate cancer screening test under the Roche R&D collaboration by year-end 2006 with clinical validation studies scheduled for 2007. First results from initial studies on blood, testing for breast cancer early detection are expected in 2007.

Following the successful identification of marker candidates for lung cancer screening test development, Epigenomics is poised to begin clinical validation studies in blood in 2007. One of the developmental goals for some of the blood-based tests (e.g. colon/lung) is to establish one or more of the assays in specialty applications such as monitoring in a CLIA-certified U.S. reference laboratory in 2007.

**Tissue tests: Better cancer prognosis.** Our goals in tissue-based cancer prognosis tests continue to be:

- Successfully complete concordance studies on the Affymetrix 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 from 2007 onwards.

**Overall.** Epigenomics expects to have concluded the search for a CEO by year-end 2006.

Management expects liquidity at year-end at the lower end of our previous guidance, i.e. around EUR 18 million. 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 well below 2005 and lower than our original guidance for 2006.

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 as well as the establishment of a U.S. reference lab outlet for our tests pre IVD kit launch.

Overall, Epigenomics management believes that the fundamental progress made over the reporting quarter in combination with the clear focus and streamlined organization puts the Company into a stronger position going forward. We remain committed to delivering on our goals and milestones and in the process building shareholder value.

# Interim Consolidated Financial Statements as of September 30, 2006

## Group Income Statement

<b>EUR thousand (unaudited)</b>	<b>Q3 2006</b>	<b>Q3 2005</b>	<b>9M 2006</b>	<b>9M 2005</b>
<b>Revenue</b>	1,203	2,110	2,299	5,739
Cost of sales	-1,301	-2,067	-3,723	-5,355
<b>Gross profit</b>	<b>-98</b>	<b>43</b>	<b>-1,424</b>	<b>384</b>
Other income	278	363	1,219	1,211
Research and development costs	-2,198	-2,002	-6,507	-6,158
Marketing and business development costs	-688	-509	-1,892	-1,226
General and administrative costs	-1,030	-877	-3,092	-2,949
Other expenses	-54	-44	-525	-184
<b>Operating result (EBIT)</b>	<b>-3,790</b>	<b>-3,026</b>	<b>-12,221</b>	<b>-8,922</b>
Financial result	103	263	536	767
<b>Net loss for the period before taxes on income</b>	<b>-3,687</b>	<b>-2,763</b>	<b>-11,685</b>	<b>-8,155</b>
Taxes on income	-53	-11	-254	-34
<b>Net loss for the period</b>	<b>-3,740</b>	<b>-2,774</b>	<b>-11,939</b>	<b>-8,189</b>
<b>Earnings per share (basic) in EUR</b>	<b>-0.22</b>	<b>-0.17</b>	<b>-0.72</b>	<b>-0.50</b>

## Group Balance Sheet

### Assets

EUR thousand	Sept 30, 2006 (unaudited)	Dec 31, 2005 (audited)
<b>Non-current assets</b>		
Intangible assets	6,673	5,183
<i>thereof goodwill</i>	2,625	2,625
Tangible assets	2,426	2,000
Financial assets	1,000	1,000
Deferred taxes	1,044	1,258
Other non-current assets	29	30
<b>Total non-current assets</b>	<b>11,172</b>	<b>9,471</b>
<b>Current assets</b>		
Inventories	101	208
Trade and other receivables	452	734
Marketable securities	6,331	9,173
Cash and cash equivalents	14,819	23,519
Other current assets	1,509	1,892
<b>Total current assets</b>	<b>23,212</b>	<b>35,526</b>
<b>Total assets</b>	<b>34,384</b>	<b>44,997</b>

### Equity and liabilities

EUR thousand	Sept 30, 2006 (unaudited)	Dec 31, 2005 (audited)
<b>Equity</b>		
Subscribed capital	16,914	16,403
Capital reserve	34,098	32,072
Retained earnings	-8,788	0
Net loss for the period	-11,939	-8,788
Other comprehensive income	-586	-312
<b>Total equity</b>	<b>29,699</b>	<b>39,375</b>
<b>Non-current liabilities</b>		
Liabilities from leasing contracts	0	4
<b>Total non-current liabilities</b>	<b>0</b>	<b>4</b>
<b>Current liabilities</b>		
Trade payables	1,124	1,060
Liabilities from leasing contracts	14	40
Deferred income	1,658	2,168
Other liabilities	931	1,553
Provisions	958	797
<b>Total current liabilities</b>	<b>4,685</b>	<b>5,618</b>
<b>Total equity and liabilities</b>	<b>34,384</b>	<b>44,997</b>

## Group Cash Flow Statement

EUR thousand	9M 2006 (unaudited)	9M 2005 (unaudited)
Cash and cash equivalents at the beginning of the period	23,519	32,166
<b>Operating activities</b>		
Net loss for the period before taxes on income	-11,685	-8,155
Corrections for:		
Depreciation on tangible assets	730	867
Amortization of intangible assets	237	270
Losses from the disposal of assets	-1	4
Stock option expenses	65	206
Foreign currency exchange gains	-18	-289
Price losses of securities	118	95
Other financing expenses	6	31
Interest income	-747	-923
Interest expenses	25	18
Taxes	-154	-81
Inflows not affecting net income	0	105
<b>Operating result before changes in net current assets</b>	<b>-11,424</b>	<b>-7,852</b>
Decrease in trade receivables and other current assets	527	121
Decrease in inventories (9M 2005: increase)	108	-4
Decrease in current liabilities (9M 2005: increase)	-924	3
<b>Liquidity earned from operating activities</b>	<b>-11,713</b>	<b>-7,732</b>
Interest received	836	641
<b>Cash flow from operating activities</b>	<b>-10,877</b>	<b>-7,091</b>
<b>Investing activities</b>		
Payments for investments in tangible assets	-1,114	-905
Proceeds from investment subsidies	139	213
Payments for investments in intangible assets	-121	-193
Proceeds from divestments of financial assets	0	750
Proceeds from the sale of marketable securities	3,410	3,385
Payments for the purchase of marketable securities	-997	-6,270
<b>Cash flow from investing activities</b>	<b>1,317</b>	<b>-3,020</b>
<b>Financing activities</b>		
Interest payments for silent partnerships	0	-13
Payments for the creation of new shares	-31	0
Payments for lease financing	-42	-33
Proceeds from the exercise of stock options	929	278
<b>Cash flow from financing activities</b>	<b>856</b>	<b>232</b>
<b>Cash flow</b>	<b>-8,704</b>	<b>-9,879</b>
Currency adjustments	4	302
<b>Cash and cash equivalents at the end of the period</b>	<b>14,819</b>	<b>22,589</b>

## 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 9M 2006	0	0	0	-11,939	0	-11,939
Fair value adjustments of securities	0	0	0	0	-274	-274
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-11,939</b>	<b>-274</b>	<b>-12,213</b>
Capital increase from issue of shares	305	0	0	0	0	305
Premium from issue of shares	0	1,286	0	0	0	1,286
Financing costs	0	-48	0	0	0	-48
Exercise of stock options	206	723	0	0	0	929
Stock-based compensation	0	65	0	0	0	65
September 30, 2006	16,914	34,098	-8,788	-11,939	-586	29,699

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 9M 2005	0	0	0	-8,189	0	-8,189
Fair value adjustments of securities	0	0	0	0	-95	-95
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-8,189</b>	<b>-95</b>	<b>-8,284</b>
Exercise of stock options	68	210	0	0	0	278
Stock-based compensation	0	206	0	0	0	206
September 30, 2005	16,402	42,780	-11,009	-8,189	-45	39,939

# Notes to the Q3/9M 2006 Consolidated Financial Statements

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## BASIC PRINCIPLES AND METHODS

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**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”. Further, these statements are in accordance with German Accounting Standards (GAS) under consideration of GAS 6 (“Interim Financial Reporting”). New standards adopted by the IASB and/or the German Accounting Standards Committee (GASC) 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 September 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

	Sept 30, 2006	Dec 31, 2005
EUR/USD	1.2660	1.1797

#### Average rates

	9M 2006	9M 2005
EUR/USD	1.2499	1.2552

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### NOTES TO THE GROUP INCOME STATEMENT

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**Revenue.** Service orders not yet completely fulfilled as of the reporting date account for a large portion of revenue in Q3 2006 of EUR 1,203 thousand (Q3 2005: 2,110 thousand).

**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	Q3 2006	Q3 2005	9M 2006	9M 2005
Third-party research grants	180	98	739	451
Exchange gains from currency conversion	72	39	227	306
Income from option exercises	0	193	45	334
Income from liquidation of provisions	4	29	100	73
Recoveries and refunds	22	4	100	44
Other	0	0	7	3
<b>Total</b>	<b>278</b>	<b>363</b>	<b>1,218</b>	<b>1,211</b>

**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 costs:

- 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 the systems administration.

### Cost analysis

EUR thousand	Q3 2006					Q3 2005				
	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	312	335	0	0	647	752	172	0	0	924
Depreciation and amortization	97	231	3	63	394	39	218	1	67	325
Staff costs	429	1,136	227	380	2,172	763	1,089	342	393	2,587
Other costs	463	496	458	587	2,004	513	523	166	417	1,619
<b>Total</b>	<b>1,301</b>	<b>2,198</b>	<b>688</b>	<b>1,030</b>	<b>5,217</b>	<b>2,067</b>	<b>2,002</b>	<b>509</b>	<b>877</b>	<b>5,455</b>

EUR thousand	9M 2006					9M 2005				
	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	932	1,213	1	1	2,147	1,676	619	0	1	2,296
Depreciation and amortization	174	575	60	159	968	124	703	4	306	1,137
Staff costs	1,401	3,358	706	1,196	6,661	2,110	3,163	722	1,303	7,298
Other costs	1,216	1,361	1,125	1,736	5,438	1,445	1,673	500	1,339	4,957
<b>Total</b>	<b>3,723</b>	<b>6,507</b>	<b>1,892</b>	<b>3,092</b>	<b>15,214</b>	<b>5,355</b>	<b>6,158</b>	<b>1,226</b>	<b>2,949</b>	<b>15,688</b>

## Personnel expenses and headcount

EUR thousand	Q3 2006	Q3 2005	9M 2006	9M 2005
Wages and salaries	1,865	2,161	5,623	6,051
Stock option compensation expenses	-12	63	65	206
Social security expenses	319	363	973	1,041
<b>Total personnel expenses</b>	<b>2,172</b>	<b>2,587</b>	<b>6,661</b>	<b>7,298</b>

The number of employees at September 30, 2006, amounted to 152 (Dec 31, 2005: 141 and Sept 30, 2005: 144).

**Operating result (EBIT) and EBITDA.** The operating result (EBIT) of Q3 2006 amounted to EUR –3,790 thousand, a 25 % increase compared to Q3 2005 (EUR –3,026 thousand). EBITDA of Q3 2006 was EUR –3,396 thousand (Q3 2005: EUR –2,215 thousand).

## Financial result

EUR thousand	Q3 2006	Q3 2005	9M 2006	9M 2005
Interest and related income	178	299	746	923
Interest and related expenses	-8	-9	-25	-18
Other financial income	0	21	30	82
Other financial expenses	-67	-48	-215	-220
<b>Total financial result</b>	<b>103</b>	<b>263</b>	<b>536</b>	<b>767</b>

**Taxes on income.** Income taxes of EUR 53 thousand had to be recorded exclusively for the U.S. subsidiary Epigenomics, Inc. in Q3 2006 (Q2 2005: EUR 11 thousand). The amount comprised U.S. federal (deferred) taxes of EUR 42 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.

	Q3 2006	Q3 2005	9M 2006	9M 2005
Net loss for the period in EUR thousand	-3,740	-2,774	-11,939	-8,189
Weighted-average number of shares issued	16,812,828	16,393,595	16,610,423	16,364,321
<b>Earnings per share in EUR (basic)</b>	<b>-0.22</b>	<b>-0.17</b>	<b>-0.72</b>	<b>-0.50</b>

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 16,914,425.

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NOTES TO THE GROUP BALANCE SHEET

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**Non-current assets.** Non-current assets increased during 9M 2006 by EUR 1,701 thousand mainly due to the purchase of a product development license. Net capital expenditures in 9M 2006 amounted to EUR 2,902 thousand (9M 2005: EUR 1.0 million) and were partly offset by depreciation and amortization of EUR 968 thousand (9M 2005: EUR 1.1 million).

Deferred tax assets decreased to EUR 1,044 thousand (Dec 31, 2005: EUR 1,258 thousand). This effect is attributable to reduced tax loss carry forwards of the U.S.-based subsidiary Epigenomics, Inc.

**Current assets.** Current assets decreased during the reporting period by EUR 12,314 thousand. This decrease mainly mirrors the Group's consumption of liquid assets in 9M 2006 of EUR 11,542 thousand.

Trade and other receivables listed in the amount of EUR 452 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.

**Equity.** The increase in subscribed capital to EUR 16,914 thousand at September 30, 2006, (Dec 31, 2005: EUR 16,403 thousand) was partially due to the exercise of stock options (EUR 206 thousand) and partially due to a capital increase from authorized capital against contribution in kind in the form of 304,719 novel no-par value bearer shares issued to Affymetrix, Inc. Therefore, the Company's capital reserve increased from EUR 32,072 thousand at the beginning of the reporting period to EUR 34,098 thousand at September 30, 2006. A portion of EUR 1,286 thousand of this increase resulted from the aforementioned issue of shares to Affymetrix. This capital increase was duly registered by the commercial register of Charlottenburg as of July 31, 2006.

**Current liabilities.** Current liabilities decreased significantly as of September 30, 2006, to EUR 4,685 thousand (Dec 31, 2005: EUR 5,618 thousand). This decrease is mainly due to the recognition of deferred revenues.

Deferred income decreased to EUR 1,658 thousand at September 30, 2006, (Dec 31, 2005: EUR 2,168 thousand) and includes income from commercial R&D collaborations amounting to EUR 1,268 thousand and income from granted projects amounting to EUR 390 thousand.

**Notes to the stock option plans.** In the reporting quarter, 18,940 stock options were granted to employees and 4,288 options have been exercised. 44,866 options forfeited during Q3 2006. The number of all outstanding options as of September 30, 2006, decreased to 576,520.

Option holder	Options issued as of Dec 31, 2005	Options issued in 9M 2006	Options forfeited in 9M 2006	Options exercised in 9M 2006	Options issued as of Sept 30, 2006
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
<b>Total Executive Board</b>	<b>182,589</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>182,589</b>
Other	563,480	122,940	86,033	206,456	393,931
<b>Total options</b>	<b>746,069</b>	<b>122,940</b>	<b>86,033</b>	<b>206,456</b>	<b>576,520</b>
<b>Average exercise price (in EUR)</b>	<b>4.60</b>	<b>6.68</b>	<b>4.88</b>	<b>4.50</b>	<b>5.04</b>

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 218,256 options granted to former Executive Board members Alexander Olek, Ph.D., 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	Sept 30, 2006 number	Dec 31, 2005 number
2008	1.76	12,750	12,750
	1.94	4,403	6,791
	4.53	17,179	35,920
2009	4.53	30,910	32,929
2010	4.53	52,293	97,264
2011	4.53	309,525	521,895
	7.15	4,500	9,500
2012	7.29	22,340	25,340
	8.13	3,680	3,680
2013	5.30	18,940	0
	6.93	100,000	0
<b>Total</b>		<b>576,520</b>	<b>746,069</b>

## 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.

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 SEGMENT REPORTING
 

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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 / prognosis and monitoring of cancer and commercializes these through in vitro diagnostic partnerships such as the Roche Diagnostics alliance as well as product development undertaken with partners Qiagen (preanalytics) and Affymetrix (Diagnostics platform). 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

EUR thousand (unaudited)	Diagnostics		Clinical Solutions		Other		Epigenomics Total	
	Q3 2006	Q3 2005	Q3 2006	Q3 2005	Q3 2006	Q3 2005	Q3 2006	Q3 2005
Revenue	518	1,269	162	841	523	0	1,203	2,110
Cost of sales	-1,255	-1,760	-36	-279	-10	-28	-1,301	-2,067
<b>Gross profit</b>	<b>-737</b>	<b>-491</b>	<b>126</b>	<b>562</b>	<b>513</b>	<b>-28</b>	<b>-98</b>	<b>43</b>
<i>Gross margin</i>	<i>-142%</i>	<i>-39%</i>	<i>78%</i>	<i>67%</i>			<i>-8%</i>	<i>2%</i>
Other income	52	43	114	0	112	320	278	363
Research and development costs	-1,453	-635	-484	-255	-261	-1,112	-2,198	-2,002
Marketing and business development costs	-153	-288	-184	-138	-351	-83	-688	-509
General and administrative costs	0	0	0	0	-1,030	-877	-1,030	-877
Other expenses	0	-7	0	0	-54	-37	-54	-44
<b>Segment results</b>	<b>-2,291</b>	<b>-1,378</b>	<b>-428</b>	<b>169</b>	<b>-1,071</b>	<b>-1,817</b>	<b>-3,790</b>	<b>-3,026</b>

## Segment results

EUR thousand (unaudited)	Diagnostics		Clinical Solutions		Other		Epigenomics Total	
	9M 2006	9M 2005	9M 2006	9M 2005	9M 2006	9M 2005	9M 2006	9M 2005
Revenue	1,266	3,502	436	2,227	597	10	2,299	5,739
Cost of sales	-3,282	-4,354	-463	-952	22	-49	-3,723	-5,355
<b>Gross profit</b>	<b>-2,016</b>	<b>-852</b>	<b>-27</b>	<b>1,275</b>	<b>619</b>	<b>-39</b>	<b>-1,424</b>	<b>384</b>
<i>Gross margin</i>	<i>-159%</i>	<i>-24%</i>	<i>-6%</i>	<i>57%</i>			<i>-62%</i>	<i>7%</i>
Other income	569	123	123	0	527	1,088	1,219	1,211
Research and development costs	-4,626	-2,064	-965	-872	-916	-3,222	-6,507	-6,158
Marketing and business development costs	-486	-498	-455	-475	-951	-253	-1,892	-1,226
General and administrative costs	0	0	0	0	-3,092	-2,949	-3,092	-2,949
Other expenses	-14	-8	-2	0	-509	-176	-525	-184
<b>Segment results</b>	<b>-6,573</b>	<b>-3,299</b>	<b>-1,326</b>	<b>-72</b>	<b>-4,322</b>	<b>-5,551</b>	<b>-12,221</b>	<b>-8,922</b>

# Corporate Calendar

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**March 30, 2007**

Consolidated Financial Statements and Annual Report 2006  
Press Conference and Analyst Meeting

## Contact

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This interim report is also available in German.

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