

## **Report of the Executive Board on agenda item 6 pursuant to Section 186 Paragraph 4 Sentence 2, Section 203 Paragraph 2 Sentence 2 of the German Stock Corporation Act (AktG)**

The Annual General Shareholders' Meeting of May 11, 2009, passed a resolution to the effect that the Executive Board is authorized until May 10, 2014, to increase the share capital of the Company, with the consent of the Supervisory Board, once or several times by up to EUR 11,757,889.00 against contribution in cash and/or in kind by issuing new non-par value bearer shares (Authorized Capital 2009/II).

In its report pursuant to Section 186 Paragraph 4 Sentence 2, Section 203 Paragraph 2 Sentence 2 AktG regarding the creation of the Authorized Capital 2009/II, the Executive Board has commented that for the coming years, the Executive Board should be enabled to react at short notice to upcoming financing opportunities and requirements in connection with the development and commercialization of the Company's diagnostic products.

The proposal by the Executive Board and the Supervisory Board to the Annual General Shareholders' Meeting to create the new Authorized Capital 2011/II serves the same purpose. The proposed new Authorized Capital 2011/II together with the new Authorized Capital 2011/I proposed under agenda item 5 would exhaust the scope permitted by the German Stock Corporation Act (AktG). The proposal under agenda item 6 shall authorize the Executive Board to increase the share capital of the Company, with the consent of the Supervisory Board, once or several times by up to EUR 17,636,830.00 against contribution in cash and/or in kind by issuing new non-par value bearer shares until June 27, 2016. The Authorized Capital 2011/II amounts to approx. 40% of the existing share capital of the company. Since agenda item 8 proposes a resolution to reduce the share capital of the company it further provides for an adequate reduction of the Authorized Capital 2011/II. This serves to maintain an appropriate balance between share capital and Authorized Capital 2011/II of approx. 40% and thus to protect shareholders' rights against dilution. In total the two Authorized Capitals are approx. 50% of the share capital prior and after the capital decrease.

Upon the exercise of the Authorized Capital 2011/II, the shareholders, in principle, have a subscription right. However, it is proposed that such subscription right can be excluded, with the consent of the Supervisory Board, in two events:

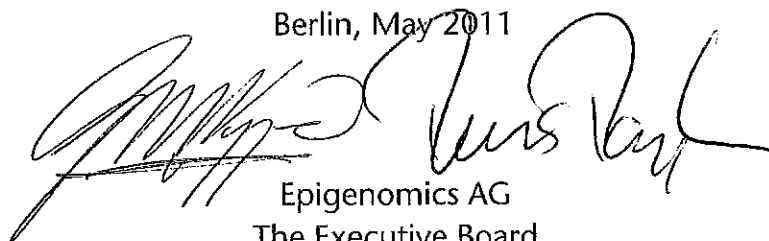
- The Executive Board shall be entitled to exclude the subscription right for fractional amounts. This shall simplify the implementation of an issuance in which the subscription right, in principle, is granted to the shareholders. Fractional amounts might result from the volume of the capital increase and the necessity of a practical subscription ratio. The value of such fractional amounts is, in general, of minor value for the individual shareholder, whereas the costs of such capital increase would be considerably higher without the exclusion of the subscription right. In addition, the possible dilution effect is negligible due to the restriction to only fractional amounts.

The new shares for which the subscription right has been excluded due to fractional amounts will be used to the best possible purpose for the Company. The exclusion of the subscription right therefore serves practical purposes and simplifies the implementation of an issuance.

- Furthermore, the Executive Board shall be entitled to exclude the shareholders' subscription right in the event of a capital increase against contribution in kind. The Executive Board is thereby enabled to use, in singular eligible cases, shares of the Company for the acquisition of enterprises, parts of enterprises, participations in enterprises or other assets. It may become necessary during negotiations to offer as consideration not cash but shares. The possibility to offer shares in the Company as consideration creates an advantage in the competition regarding attractive acquisition objects as well as the required flexibility to make use of upcoming opportunities to acquire enterprises, parts of enterprises, participations in enterprises or other assets without tapping the Company's cash resources. In addition, a consideration in shares may be useful with respect to an optimal financing structure. This would not be disadvantageous for the Company, since the issuance of shares against contribution in kind requires the contribution in kind to be of fair value in relation to the value of the shares. When determining the value relation, the Executive Board will ensure that the interests of the Company and its shareholders are adequately considered and that an adequate issuing price will be achieved for the new shares.

The Executive Board will in every single case thoroughly scrutinize whether it will make use of the authorization to increase the capital and exclude the shareholders' subscription rights. It will make use of this authorization only if the Executive Board and the Supervisory Board are of the opinion that this is in the interest of the Company and, therefore, its shareholders. It will report to the Annual General Shareholders' Meeting on every use it has made of the authorized capital.

Berlin, May 2011

The image shows two handwritten signatures in black ink. The signature on the left is more stylized and cursive, while the one on the right is more legible and appears to be 'Klaus Vay'. Both signatures are written over a horizontal line.

Epigenomics AG  
The Executive Board