

**Explanatory Report by the Management Board
On Disclosures Pursuant to Section 289 (4), Section 315 (4) HGB
(German Commercial Code)**

According to Section 120 (3) Sentence 2 AktG (German Stock Corporation Act), the Management Boards of listed stock corporations are under obligation to prepare an explanatory report on the disclosures in the management report and the group management report pursuant to Sections 289 (4), 315 (4) Handelsgesetzbuch (HGB). For the financial year 2007, the Management Board of Epigenomics AG has prepared the following explanatory report regarding said disclosures:

**1. Disclosures pursuant to Sections 289 (4) No. 1, 315 (4) No. 1 HGB
(composition of subscribed capital)**

As of the balance sheet date (31 December 2007), the subscribed capital amounted to EUR 18,252,824 divided into 18,252,824 no-par shares. The shares, which all confer the same rights, are in bearer form. Each share confers one voting right. The share capital consists of ordinary shares, no further share classes exist.

**2. Disclosures pursuant to Sections 289 (4) No. 2, 315 (4) No. 2 HGB
(restrictions on voting rights or the transfer of shares)**

The Company's articles of association restrict neither voting rights nor the transfer of shares. The Management Board is not aware of any restrictions on voting rights or the transferability of shares that may arise from agreements between shareholders.

**3. Disclosures pursuant to Sections 289 (4) No. 3, 315 (4) No. 3 HGB
(direct or indirect shareholdings exceeding 10 percent of the voting rights)**

According to the Management Board's knowledge, the following companies, which are listed both in the management report and in the group management report, had direct or indirect holdings of over 10 percent of the voting rights in the Company's share capital as of 31 December 2007:

- In 2006, VCG Venture Capital Gesellschaft mbH, Munich, informed the Company that it indirectly held 16.57 % of the Company's voting rights. Said voting rights were fully attributable to VCG pursuant to Section 22 (1) Sentence 1 No. 1. Of the 16.57 %, 7.34 % were also attributable to VCG pursuant to Section 22 (1) Sentence 1 No. 6 in connection with Sentence 2 WpHG (German Securities Trading Act). The holding of VCG Venture Capital Gesellschaft mbH is also listed in the management report and the group management in the amount of 16.57 %. On 6 March 2008, Deutsche Bank AG submitted a delayed notification of holdings pursuant to Section 41 (4a) WpHG, according to which VCG Venture Capital Gesellschaft mbH indirectly held 12.88% of the

Company's voting rights as of 20 January 2007. These 12.88 % were attributable to VCG Venture Capital Gesellschaft mbH according to Section 22 (1) Sentence 1 No. 1 WpHG. Furthermore, 6.93 % thereof were attributable to VCG Venture Capital Gesellschaft mbH & Co. Fonds III KG, Munich, pursuant to Section 22 (1) Sentence 1 No. 6 in connection with Sentence 2 WpHG. On 13 February 2008, Deutsche Bank AG informed the Company that the share in voting rights held by VCG Venture Capital Gesellschaft mbH was below the 10% threshold as of 7 February 2008.

- As of 16 April 2007, Abingworth Management Holdings Ltd, London, UK, indirectly held 10.89 % of the Company's voting rights. The voting rights were fully attributable to Abingworth pursuant to Section 22 (1) Sentence 1 No. 6 in connection with Sentence 2 WpHG. On 13 February, Abingworth Management Holdings Ltd. Informed the Company that its holding were below the 10% threshold as of 7 February 2008.

Furthermore, according to the Management Board's knowledge, the following companies had direct or indirect holdings in the Company's share capital exceeding 10 percent of the voting rights:

- In 2006, Deutsche Bank AG informed the Company that its subsidiary, Nordwestdeutscher Wohnungsbauträger GmbH, Frankfurt am Main, indirectly held a 16.20% share in the voting rights as of 22 December 2005. Said voting rights were fully attributable pursuant to Section 22 (1) Sentence 1 No. 1 WpHG. Of the 16.20 % of the voting rights, 7.18 % were also attributable pursuant to Section 22 (1) Sentence 1 No. 6 in connection with Sentence 2 WpHG. On 6 March 2008, Deutsche Bank AG submitted a delayed notification of holdings to the Company pursuant to Section 41 (4a) WpHG, according to which Nordwestdeutscher Wohnungsbauträger GmbH indirectly held 12.88% of the Company's voting rights as of 20 January 2007. Said 12.88 % were attributable to Nordwestdeutscher Wohnungsbauträger GmbH pursuant to Section 22 (1) Sentence 1 No. 1 WpHG. Furthermore, 6.93 % were attributable to VCG Venture Capital Gesellschaft mbH & Co. Fonds III KG, Munich, pursuant to Section 22 (1) Sentence 1 No. 6 in connection with Sentence 2 WpHG. On 13 February 2008, Deutsche Bank AG informed the Company that the share in voting rights held by Nordwestdeutscher Wohnungsbauträger GmbH was below the 10% threshold as of 7 February 2008.
- In 2006, Deutsche Bank AG informed the Company that its subsidiary, DBG Vermögensverwaltungsgesellschaft mbH, Frankfurt am Main, held a 16.57 % share in the voting rights as of 14 July 2004. Said voting rights were fully attributable pursuant to Section 22 (1) Sentence 1 No. 6 WpHG. Of the 16.57 % of the voting rights, 7.34 % were also attributable pursuant to Section 22 (1) Sentence 1 No. 6 in connection with Sentence 2 WpHG. On 6 March 2008, Deutsche Bank AG submitted a delayed notification of holdings to the Company pursuant to Section 41 (4a) WpHG, according to which DBG

Vermögensverwaltungsgesellschaft mbH indirectly held 12.88 % of the Company's voting rights as of 20 January 2007. Said 12.88 % were attributable to DBG Vermögensverwaltungsgesellschaft mbH pursuant to Section 22 (1) Sentence 1 No. 1 WpHG. Furthermore, 6.93 % thereof were attributable to VCG Venture Capital Gesellschaft mbH & Co. Fonds III KG, Munich, pursuant to 22 (1) Sentence 1 No. 6 in connection with Sentence 2 WpHG. On 13 February 2008, Deutsche Bank AG informed the Company that the share in the voting rights held by DBG Vermögensverwaltungsgesellschaft mbH was below the 10% threshold as of 7 February 2008.

- In 2006, Deutsche Bank AG, Frankfurt am Main, informed the Company that it indirectly held 16.20 % of the voting rights as of 22 December 2005. Said voting rights were fully attributable to pursuant to Section 22 (1) Sentence 1 No. 1 WpHG. Of the 16.20 % of the voting rights, 7.18 % were also attributable pursuant to Section 22 (1) Sentence 1 No. 6 in connection with Sentence 2 WpHG. On 6 March 2008, Deutsche Bank AG submitted a delayed notification of holdings to the Company pursuant to Section 41 Abs. 4a WpHG, according to which it indirectly held 12.88% of the Company's voting rights as of 20 January 2007. Said 12.88 % were attributable to Deutsche Bank AG pursuant to Section 22 (1) Sentence 1 No. 1 WpHG. Furthermore, 6.93 % therefrom were attributable to VCG Venture Capital Gesellschaft mbH & Co. Fonds III KG, Munich, pursuant to Section 22 (1) Sentence 1 No. 6 in connection with Sentence 2 WpHG. On 13 February 2008, Deutsche Bank AG informed the Company that its share in the Company's voting rights was below the 10% threshold as of 7 February 2008.
- As of 16 April 2007, Abingworth Management Ltd., London, indirectly held 10.89 % of the Company's voting rights. The voting rights were fully attributable to Abingworth pursuant to Section 22 (1) Sentence 1 No. 6 in connection with Sentence 2 WpHG. As of 7 February 2008, Abingworth Management Ltd. was below the 10 % threshold.

After 31 December 2007, the Management Board was informed that the following companies had direct or indirect holdings in the Company's share capital which exceeded 10 percent of the voting rights:

- On 19 February 2008, the Federated Kaufmann Fund, Pittsburgh, Pennsylvania, USA, informed the Company that it held 19.02 % of the Company's voting rights as of 11 February 2008.
- On 19 February 2008, the Federated Equity Management Company of Pennsylvania, Pittsburgh, Pennsylvania, USA, informed the Company that it held 19.26 % of the Company's voting rights as of 11 February 2008. Said voting rights were fully attributable to it pursuant to Section 22 (1) Sentence 1 No. 6 WpHG. Voting rights held by the Federated Kaufmann Fund, whose direct share in the voting rights amounts to 3 % or above, are attributed to the Federated Equity Management Company of Pennsylvania.

- On 19 February 2008, F II Holdings Inc., Pittsburgh, Pennsylvania, USA, informed the Company that it held 19.26 % of the Company's voting rights as of 11 February 2008. Said voting rights were fully attributable to it pursuant to Section 22 (1) Sentence 1 No. 6 in connection with Sentence 2 WpHG. Voting rights held by the Federated Kaufmann Fund, whose direct share in the voting rights amounts to 3 % or above, are attributed to F II Holdings Inc.

- On 19 February 2008, Federated Investors Inc., Pittsburgh, Pennsylvania, USA, informed the Company that it held 19.26 % of the Company's voting rights as of 11 February 2008. Said voting rights were fully attributable to it pursuant to Section 22 (1) Sentence 1 No. 6 in connection with Sentence 2 WpHG. Voting rights held by the Federated Kaufmann Fund, whose direct share in the voting rights amounts to 3 % or above, are attributed to Federated Investors Inc.

4. Disclosures pursuant to Sections 289 (4) No. 4, 315 (4) No. 4 HGB
(shares with special control rights)

Shares which confer special control rights have not been issued.

5. Disclosures pursuant to Sections 289 (4) No. 5, 315 (4) No. 5 HGB
(control over voting rights and employee participation)

According to the Management Board's knowledge, the Company's employees do not hold shares in the Company's share capital in such a way as to confer on them the right to exercise non-indirect control rights.

6. Disclosures pursuant to Sections 289 (4) No. 6, 315 (4) No. 6 HGB
(regulations under the articles of association governing the appointment and replacement of members of the Management Board and amendments of the articles of association)

The Management Board is Epigenomics AG's statutory management and representation body. The Management Board may comprise either one or several members. Pursuant to Section 7 (2) Sentence 2 of the Company's articles of association, the number of Management Board members is determined by the Supervisory Board in compliance with the legal provisions. The Supervisory Board may appoint one member of the board as president and CEO and several members as executive vice presidents. The Supervisory Board may also appoint deputy Management Board members. Although the latter are subject to the same rights and duties as normal members, they take a lower place in the Management Board hierarchy as determined by the internal rules of procedure.

The Supervisory Board appoints and replaces Management Board members in accordance with the provisions under Sections 84, 85 AktG. Members of the Management Board may be appointed for a maximum term of up to five years.

They may be re-appointed or have their term extended up to a maximum of five years each. Re-appointments or extensions require a new Supervisory Board resolution, which may not be passed earlier than one year before the expiry of the respective term in office. The Supervisory Board may revoke the appointment of a Management Board member before the expiry of his/her term for good cause, e.g. breach of duty or a vote of no-confidence by the Annual General Shareholders' Meeting, unless such vote of no-confidence was taken for obviously arbitrary reasons.

The articles of association may be amended pursuant to Sections 179 et seqq., 133 AktG and Section 18 (4) of the Company's articles of association. Pursuant to Section 179 AktG, all amendments of the articles of association require a resolution by the Annual General Shareholders' Meeting. Exempted are amendments of the articles of association that relate to the wording only; such amendments may be made by the Supervisory Board pursuant to Section 14 of the Company's articles of association. Sections 133 (1), 179 (2) AktG apply to the majority required for resolutions pertaining to the amendment of the articles of association. According to these provisions, resolutions pertaining to the amendment of the articles of association principally require a simple majority of the votes cast (simple majority of votes) and a majority of at least three-quarters of the share capital represented at the respective meeting (qualified majority of capital stock). Notwithstanding this regulation, a simple majority of capital stock may also be sufficient under Section 18 (4) of the Company's articles of association unless a mandatory law or the articles of association specify a larger majority or other requirements. The Company's articles of association determine neither a larger majority nor any other requirements for amendments of the articles of association.

**7. Disclosures pursuant to Sections 289 (4) No. 7, 315 (4) No. 7 HGB
(powers of the management to issue or buy back shares)**

The powers of the Management Board to issue and buy back shares, which arise to it by virtue of non-mandatory provisions of the law, also include the authorisation to acquire and utilise own shares as well as the approved and the conditional capital.

The Management Board has no powers to acquire and utilise own shares.

The Annual General Shareholders' Meeting of 29 May 2007 authorised the Management Board to increase the Company's share capital with the Supervisory Board's approval, generally involving the granting of subscription rights, once or several times by a total of up to EUR 8,458,062.00 in return for cash or non-cash contributions by 28 May 2012 via the issuance of new non-par bearer shares (Authorized Capital 2007). The Annual General Shareholders' Meeting authorised the Management Board to exclude the subscription right under certain circumstances. In February 2008, with the Supervisory Board's approval, the Management Board fully utilised the approved capital 2007 by way of a cash increase including the granting of a subscription right to the shareholders. The capital increase was entered in the commercial register on

7 February 2008. A further authorisation of the Management Board to utilise approved capital does not exist.

Hence, the powers of the Management Board to issue shares, which arise to it by virtue of non-mandatory provisions of the law, are restricted to the existing conditional capital with the following contents:

Conditional Capital I:

As of the balance sheet date, the share capital was conditionally increased by up to EUR 26,258.00, divided into up to 26,258 ordinary bearer shares in a prorate amount of the share capital of EUR 1.00 per share. This conditional capital increase will not be implemented unless the options arising from the Company's share option plan set up in accordance with the resolution passed by the Annual General Shareholders' Meeting on 3 August 2000, amended by the resolutions passed by the Annual General Shareholders' Meeting on 27 April 2001, 1 August 2003 and 22 June 2004, are exercised. The new shares will participate in profits from the beginning of the financial year in which the respective options are exercised.

Conditional Capital III:

The share capital is conditionally increased by up to EUR 139,625.00, divided into up to 139,625 ordinary bearer shares in a prorate amount of the share capital of EUR 1.00 per share. This conditional capital increase will not be implemented unless the options arising from the Company's 01-05 share option programme set up in accordance with the resolution passed by the Annual General Shareholders' Meeting on 27 April 2001, amended by the resolution passed by the Annual General Shareholders' Meeting on 1 August 2003, are issued, the holders of these share options exercise their right to subscribe to the Company's shares and the Company refrains from granting own shares to fulfil these options. The new shares will participate in profits from the beginning of the financial year in which they are issued. The Supervisory Board is authorised to determine the further details of the implementation of the conditional capital increase insofar as they relate to the granting of subscription rights to Management Board members. In all other respects, the Management Board is authorised to determine said details.

Conditional Capital IV:

The share capital is conditionally increased by up to EUR 617,426.00, divided into up to 617,426 ordinary bearer shares in a prorate amount of the share capital of EUR 1.00 per share. This conditional capital increase will not be implemented unless the options arising from the Company's 03-07 share option programme set up in accordance with the resolution passed by the Annual General Shareholders' Meeting on 1 August 2003, are issued, the holders of these share options exercise their right to subscribe to the Company's shares and the Company refrains from granting own shares to fulfil these options. The new shares will participate in profits from the beginning of the financial year in which they are issued. The Supervisory Board is authorised to determine the further details of the implementation of the conditional capital increase insofar

as they relate to the granting of subscription rights to Management Board members. In all other respects, the Management Board is authorised to determine said details.

Conditional Capital V:

The share capital is conditionally increased by up to EUR 647,679.00, divided into up to 647,679 ordinary bearer shares in a prorate amount of the share capital of EUR 1.00 per share (conditional capital V). This conditional capital increase will not be implemented unless the options arising from the Company's 06-10 share option programme set up in accordance with the resolution passed by the Annual General Shareholders' Meeting on 10 Jul 2006, are issued, the holders of these share options exercise their right to subscribe to the Company's shares and the Company refrains from granting own shares to fulfil these options. The new shares will participate in profits from the beginning of the financial year in which they are issued. The Supervisory Board is authorised to determine the further details of the implementation of the conditional capital increase insofar as they relate to the granting of subscription rights to Management Board members. In all other respects, the Management Board is authorised to determine said details.

8. Disclosures pursuant to Sections 289 (4) No. 8, 315 (4) No. 8 HGB
(significant agreements subject to a change of control following a takeover bid)

Significant agreements subject to a change of control following a takeover bid have not been entered into.

9. Disclosures pursuant to Sections 289 (4) No. 9, 315 (4) No. 9 HGB
(compensation agreements concluded with Management Board members and employees in the case of a takeover bid)

The employment contract of the CEO Geert Walther Nygaard includes a typical "change of control" clause that confers on him the right to leave the Company in the case of a change of control. A change of control as defined by this clause consist of the gaining of control of the Company as defined by Sections 35, 29 WpÜG (German Takeover Act) irrespective of whether control was gained via a merger, acquisition, share swap or in any other way. In the case of a termination of the employment contract via the exercise of the special termination right, the contract provides for the payment of the basic compensation for the agreed residual term. On 1 February 2007, the Supervisory Board appointed Mr. Nygaard as Management Board member for a three-year period. His fixed remuneration amounts to EUR 380 thousand p.a.

No further compensation agreements have been concluded between the Company and the other Management Board members or employees in the case of a takeover bid.

April 2008



The Management Board
Epigenomics AG



SEKRET

