

**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 pursuant to Section 289 (4) Handelsgesetzbuch (HGB), and the group management report pursuant to Section 315 (4) HGB. For the financial year 2008, 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 2008), the subscribed capital amounted to EUR 26,723,636.00 divided into 26,723,636 non-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 company, which is 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 2008:

- On 10 September 2008, Federated Equity Management Company of Pennsylvania, Pittsburgh, PA, USA notified the Company that it held 20.12% of the voting rights in Epigenomics AG pursuant to Sec. 22 para. 1 sent. 1 no. 6 WpHG as of 8 September 2008 (amended by notification on 18 September 2008).

After 31 December 2008, the Management Board was informed about the following direct or indirect holdings in the Company's share capital which exceeded 10 percent of the voting rights:

- On 26 February 2009 BB Medtech AG, Schaffhausen, notified the Company that it held 15.04% of the voting rights as of 23 February 2009. All of its voting rights were to be attributed to it by its subsidiary

Medsource N.V., Curacao, The Netherlands Antilles, pursuant to Sec. 22 para. 1 sentence 1 no. 1 WpHG. On 26 February 2009 Medsource N.V., Curacao, The Netherlands Antilles, notified the Company that it held 15.04 % of the voting rights as of 23 February 2009.

- On 27 February 2009 Federated Investors Inc., Pittsburgh, PA, USA, in the name of Federated Equity Management Company of Pennsylvania, PA, USA notified the Company that it held 19.01% of the voting rights in Epigenomics AG as of 23 February 2009. All of the voting rights are attributed to Federated Equity Management Company of Pennsylvania pursuant to Sec. 22 para. 1 sent. 1 no. 6 WpHG.

**4. 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 chairman and several members as vice chairmen of the Managing Board. 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. gross breach of duty or a vote of no-confidence by the 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 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 are applicable 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 is 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.

**5. 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 utilize own shares as well as the authorized and the conditional capital.

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

The Annual General Shareholders' Meeting of 3 June 2008 authorized 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 2,671,088.00 in return for cash or non-cash contributions by 2 June 2013 via the issuance of new non-par bearer shares (Authorized Capital 2008/I). The Annual General Shareholders' Meeting authorized the Management Board to exclude the subscription right under certain circumstances. In February 2009, with the Supervisory Board's approval, the Management Board fully utilized the Authorized Capital 2008 by way of a cash increase without subscription rights to the shareholders. The capital increase was entered in the commercial register on February 23, 2009. A further authorization of the Management Board to utilize authorized 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 13,508.00, divided into up to 13,508 ordinary bearer shares in a prorate amount of the share capital of EUR 1.00 per share. This conditional capital increase will only be implemented to the extent that 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 only be implemented to the extent that 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 authorized 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 authorized 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 only be implemented to the extent that 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 authorized 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 authorized 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 only be implemented to the extent that 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 authorized 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 authorized to determine said details.

#### Conditional Capital VI

The Company's share capital is conditionally increased by up to € 2,671,088.00 divided into up to 2,671,088 new ordinary bearer shares representing a notional portion of the share capital of € 1.00 per share (Conditional Capital VI). The conditional capital increase serves to issue shares to holders of exchangeable bonds. The shares are to be issued at the conversion ratio to be determined in the authorization to issue exchangeable bonds. The conditional capital increase is to be effected only insofar as the conversion rights are exercised or any conversion obligations under such convertible bonds are fulfilled and insofar as no cash settlement is granted and no shares from authorized capital or own shares are used for servicing. The new shares issued upon the exercise of conversion rights or fulfillment of a conversion obligation shall participate in the profit from the beginning of the fiscal year in which they come into existence by the exercise of conversion rights or the fulfillment of a conversion obligation. The Management Board is authorized to determine with the consent of the Supervisory Board further details of implementation of the conditional capital increase. The Supervisory Board is authorized to adjust the wording of the Articles of Association in accordance with the capital increase from the conditional capital.

**6. 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 chairman of the Management Board 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 is 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 for the case of a takeover bid.

Berlin, March 2009



Epigenomics AG  
The Management Board