

Report of the Executive Board on agenda items 5 and 6 pursuant to Section 203 Paragraph 2 Sentence 2 in conjunction with Section 186 Paragraph 4 Sentence 2 AktG

Pursuant to Section 203 Paragraph 2 Sentence 2 in conjunction with Section 186 Paragraph 4 Sentence 2 AktG, the Executive Board issues a written report on each of the authorizations to exclude subscription rights in relation to new Authorized Capital 2015/I and Authorized Capital 2015/II proposed for resolution in items 5 and 6 of the agenda which is published in full below:

The General Shareholders' Meeting of June 3, 2014 passed a resolution to the effect that the Executive Board is authorized until June 2, 2019 to increase the share capital of the Company, with the consent of the Supervisory Board, once or several times by up to a total of EUR 1,351,089 against contribution in cash and/or in kind by issuing new non-par value bearer shares (Authorized Capital 2014/I). At the same General Shareholders' Meeting, the Executive Board was further authorized until June 2, 2019 to increase the share capital of the Company, with the consent of the Supervisory Board, once or several times by up to a total of EUR 5,404,356.00 against contribution in cash and/or in kind by issuing new non-par value bearer shares (Authorized Capital 2014/II). In October 2014, Authorized Capital 2014/I was utilized in full. Authorized Capital 2014/II has not yet been utilized as of the date hereof and, therefore, currently amounts to EUR 5,404,356.00. This corresponds to about 34% of the current share capital.

Against the background of the net assets, financial position and results of operations of the Company as well as the fact that Epi proColon[®] needs to be introduced to the U.S. market if the admission procedure has successfully been completed, the Executive Board believes that the current amount and the terms and conditions of the existing Authorized Capital 2014/II are not sufficient to put the Company in a position to cover potential financing needs at short notice and to be capable of acting in a flexible manner in response to the strategic and operational challenges. Therefore, with the proposals under agenda items 5 and 6, the Executive Board shall be authorized, with the consent of the Supervisory Board, to increase the share capital of the Company once or several times by up to a total of EUR 1,567,768.00 (Authorized Capital 2015/I) and EUR 6,271,072.00 (Authorized Capital 2015/II), in each case until May 12, 2020 and against contribution in cash and/or in kind by issuing new non-par value bearer shares. Thus, the amount of Authorized Capital 2015/I corresponds to just under 10%, and the amount of Authorized Capital 2015/II corresponds to just under 40% of the existing share capital.

In case of utilization of Authorized Capital 2015/I and Authorized Capital 2015/II, the shareholders will, in principle, have a subscription right. Subscription rights may also be granted by way of an indirect subscription right (Section 186 Paragraph 5 AktG).

In specific cases, the Executive Board shall, however, be authorized, with the consent of the Supervisory Board, to exclude subscription rights of the shareholders.

1. An exclusion of the subscription rights shall thereby be permissible both for Authorized Capital 2015/I and for Authorized Capital 2015/II in the following two instances:
 - It is to be permissible in each case to exclude shareholders' subscription rights for fractional amounts first. This serves to simplify the process of a share issue in which the subscription right, in principle, is granted to the shareholders. Fractional amounts might result from the respective issuing volume and the necessity of a practical subscription ratio. Such fractional amounts, in general, hold little value for

the individual shareholder, whereas the issuing costs would be considerably higher without such exclusion of the subscription right. In addition, the possible dilution effect is normally marginal due to the restriction to fractional amounts. The new shares for which subscription rights have been excluded due to fractional amounts will be realized on the best possible terms for the Company. The exclusion of subscription rights therefore serves practical purposes and simplifies the process of a share issue and is therefore in the interests of the Company and its shareholders. In determining the subscription ratio, the Executive Board will take into account the interest of the shareholders to minimize fractional amounts.

- Furthermore, the Executive Board shall be entitled to exclude shareholders' subscription rights in the event of capital increases against contribution in kind. The Executive Board is thus enabled to use shares of the Company as appropriate in individual cases for the purchase of enterprises, parts of enterprises, shares in enterprises or for the purchase of other assets, including receivables. It may become necessary during negotiations to offer shares as consideration rather than cash. The possibility to offer shares in the Company as consideration offers not only an advantage when competing for attractive acquisition targets but also the required flexibility to seize opportunities where they present themselves to acquire enterprises, parts of enterprises, shares in enterprises or other assets while preserving the Company's cash resources. Assets which can be acquired as contributions in kind also comprise receivables owed by the Company. The option to pay such receivables by issuing new shares rather than by payment in cash allows the Company to preserve its liquidity and to improve its financing structure. In addition, this option may permit the Company to agree on more favorable terms and conditions with its creditor for the fulfillment of existing receivables. Therefore, from the point of view of the Executive Board, the proposed authorization to exclude subscription rights is in the interest of the Company and its shareholders. The Company does not suffer any disadvantage, 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 adequate consideration will be obtained by the Company for its new shares. To this end, the Executive Board will adequately take into account the stock exchange price of the shares of the Company and retain third party experts to the extent possible and reasonable in the individual case.
2. The proposed Authorized Capital 2015/I provides, in addition to the instances set forth under 1., for two further cases where an exclusion of subscription rights shall be possible:
- It is to be permissible to exclude subscription rights if the new shares are issued in a capital increase against contribution in cash at an issuing price which is not materially below the stock exchange price pursuant to Section 186 Paragraph 3 Sentence 4 AktG. This authorization enables the Company to promptly and flexibly realize opportunities on the market in its different business areas and to satisfy capital needs which may arise therefrom or from other operational reasons, if necessary even on very short notice. The exclusion of subscription rights enables the Company not only to take prompter action, but also enables the placement of shares at a near-market price, i.e. without the discount which, in general, is required in connection with the issue of shares with subscription rights. This results in higher issue proceeds to the benefit of the Company. In addition, with such placement, new groups of shareholders can be addressed. The German Stock Corporation Act

does not provide for a fixed limit on the discount. When utilizing the authorization, the Executive Board will set the discount as low as possible – with the consent of the Supervisory Board – in compliance with legal regulations and taking into account the market conditions prevailing at the time of the placement. The shares issued under exclusion of subscription rights according to Section 186 Paragraph 3 Sentence 4 AktG must not, in aggregate, exceed 10% of the share capital, neither at the time the authorization by the General Shareholders' Meeting of May 13, 2015 becomes effective nor at the time such authorization will be utilized. Shares newly issued by the Company during the term of the authorization in a capital increase against contribution in cash or shares acquired and subsequently re-sold by the Company during this period count towards this limit if and to the extent subscription rights are excluded in accordance with Section 186 Paragraph 3 Sentence 4 AktG or the re-sale occurs in accordance with this provision. If, during the term of the authorization, convertible bonds, bonds with warrants or participation rights or a combination of these instruments are issued under exclusion of subscription rights of the shareholders pursuant to Section 221 Paragraph 4 Sentence 2 in conjunction with Section 186 Paragraph 3 Sentence 4 AktG, shares for which a conversion or option right or obligation, or a share delivery right exists in favor of the Company based on these instruments must also be counted towards this limit.

This caters to the need of the shareholders for dilution protection regarding their investment in accordance with statutory regulations. Due to the limit imposed on capital increases under exclusion of subscription rights, each shareholder may, in principle, purchase the number of shares necessary to preserve its participation quota on substantially the same terms and conditions on the stock exchange. Thus, in the event of utilization of Authorized Capital 2015/I under exclusion of subscription rights, it is ensured that the shareholders' interests regarding their investment as well as their voting rights are adequately preserved in accordance with the legal rationale of Section 186 Paragraph 3 Sentence 4 AktG while the Company is given further flexibility for the benefit of all shareholders.

- Finally, the Executive Board shall be entitled to exclude subscription rights to the extent that the holders or creditors of option rights or convertible bonds or participation rights issued by the Company or its subsidiaries in the past or in the future are granted a conversion right or subscription right to new shares in accordance with the relevant terms and conditions of issue or to the extent that a conversion or subscription obligation or a share delivery right exists under such instruments. For easier placement in the capital market, the terms and conditions of bonds with warrants and convertible bonds normally provide for protection against dilution which ensures that holders or creditors of bonds with warrants or convertible bonds or participation rights are granted subscription rights equivalent to those of shareholders for subsequent share issues. Holders or creditors of bonds with warrants, convertible bonds or participation rights are thus treated as if they had exercised their conversion or subscription rights or as if option or conversion obligations had been triggered, or share delivery rights exercised, and as if the holders or creditors of bonds with warrants, convertible bonds or participation rights were shareholders. In order to be able to include protection against dilution in the terms and conditions of the relevant issue (of bonds with warrants, convertible bonds or participation rights), the subscription rights of the shareholders for these shares need to be excluded. This serves the purpose of easier placement of the issues

and, thus, the interest of the Company and its shareholders in optimizing the financing structure of the Company.

3. The proposed Authorized Capital 2015/II provides, in addition to the instances set forth in 1., for one further case where an exclusion of subscription rights shall be possible:

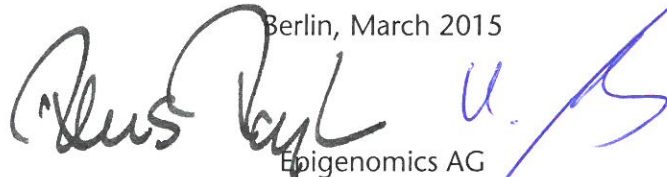
- Accordingly, it is to be permissible to exclude subscription rights if the shares are issued against cash contributions in the context of capital increases implemented for the purpose of placement of the shares in the context of a listing or the subsequent placement on a foreign stock exchange. The Company's shares have so far only been admitted to trading in the regulated market of one stock exchange in Germany. In addition, American Depositary Receipts (ADRs) of the Company are traded in the OTCQX market in the U.S., but the shares and ADRs of the Company are not registered in the U.S. under the US Securities Act of 1933.

The Company's business activity has an international focus. This will even be reinforced if Epi proColon® – following a successful admission procedure in the U.S. – were to be commercialized there. Against this background, the listing of the Company's shares on one or several foreign stock exchanges, e.g. in the U.S., or the increase in the number of shares of the Company that are admitted to trading or traded on a foreign stock exchange may prove useful in order to attract additional investors to invest in the Company's shares and thus to expand the group of investors. Attracting additional investors may in particular improve the possibilities of raising equity capital in the future, of serving a positive development of the share price and of mitigating volatility. Against this background, a foreign listing of the shares or an increase in the number of shares admitted to trading or traded abroad may also be advantageous for the Company's range of options to take up third party loans by simplifying the raising of debt capital or by enabling the Company to secure more favorable terms for raising debt capital. In the context of the listing or the subsequent placement of shares on a foreign stock exchange, the exclusion of subscription rights not only enables the Company to obtain more flexibility to act but also to list the shares at a near-market issue price without the discount which, in general, is required in connection with the issue of shares with subscription rights, which is also in the interest of the Company and thus of its shareholders. When deciding whether or not to exercise the authorization, the Executive Board will consider the given circumstances in order to determine whether a listing of the Company's shares on a foreign stock exchange or an increase in the number of shares listed abroad and an exclusion of subscription rights for this purpose are in the interest of the Company taking into account the interests of the shareholders. The same applies to determining the terms and conditions for the listing on the stock exchange or a subsequent placement, if any. In this respect, the Executive Board will ensure that the interests of the Company and its shareholders are adequately considered and that adequate consideration will be obtained by the Company for its new shares. To this end, the Executive Board will take into account in particular the stock exchange price of the shares of the Company and retain third party experts to the extent possible and reasonable in the individual case.

In each individual case, the Executive Board will thoroughly review whether it will make use of the respective authorization to increase the capital under exclusion of shareholders' subscription

rights. The Executive Board will make use of this authorization only if the Executive Board and the Supervisory Board, taking into account the terms and conditions of the capital increase, are of the opinion that this is in the interest of the Company and, thus, its shareholders. The Executive Board will report to the General Shareholders Meeting on each utilization of Authorized Capital 2015/I or of Authorized Capital 2015/II.

Berlin, March 2015



Epigenomics AG
The Executive Board