

Report of the Executive Board on item 6 of the agenda in accordance with Section 221 Paragraph 4 Sentence 2 in connection with Section 186 Paragraph 4 Sentence 2 AktG

The Annual General Shareholders' Meeting of May 6, 2013 resolved under item 7 of the agenda an authorization to issue bonds with warrants, convertible bonds, participation rights or a combination of these instruments and to exclude the subscription right ("2013 Authorization") as well as the amendment of Conditional Capital IX and of Section 5 Paragraph 5 of the Articles of Association. The 2013 Authorization was in 2013 utilized in part by the issuance of convertible bonds. The holders or creditors have partially exercised their conversion rights in respect of the convertible bonds. The amount of Conditional Capital IX remaining currently is EUR 4,465,150.00.

The issue of convertible bonds has in part been implemented under exclusion of the shareholders' subscription right pursuant to Section 221 Paragraph 4 Sentence 2 in connection with Section 186 Paragraph 3 Sentence 4 AktG. Therefore, the corresponding authorization to exclude the subscription right granted by the Annual General Shareholders' Meeting of May 6, 2013 in the third paragraph of no. (2) of the 2013 Authorization and limited to 10% of the share capital ("Former Authorization Simplifying the Exclusion of Subscription Rights") has been utilized for the most part. In order to provide the Company with additional flexibility for covering potential financial needs, the Executive Board and the Supervisory Board propose to the Annual General Shareholders' Meeting under item 6 of the agenda to issue a new authorization to exclude the subscription right in accordance with Section 221 Paragraph 4 Sentence 2 in connection with Section 186 Paragraph 3 Sentence 4 AktG ("New Authorization Simplifying the Exclusion of Subscription Rights") and for this purpose to amend the 2013 Authorization, the Conditional Capital IX as well as Section 5 Paragraph 5 of the Articles of Association.

The New Authorization Simplifying the Exclusion of Subscription Rights will in the future replace the Former Authorization Simplifying the Exclusion of Subscription Rights.

The Executive Board will report in writing on the proposed New Authorization Simplifying the Exclusion of Subscription Rights in accordance with Section 221 Paragraph 4 Sentence 2 in connection with Section 186 Paragraph 4 Sentence 2 AktG which is published in full hereinbelow:

The requirements for using the New Authorization Simplifying the Exclusion of Subscription Rights as set forth below basically correspond to the requirements for using the Former Authorization Simplifying the Exclusion of Subscription Rights. However, the Former Authorization Simplifying the Exclusion of Subscription Rights has been utilized to a significant extent. Thus, the number of bonds and participation rights with option and/or conversion rights or obligations and share delivery rights which may be issued on the basis of such authorization, is limited. In order to provide the Company with a cover for a potential financing need which is as flexible as possible, a new authorization is to be resolved which has not yet been used up. Thereby, it is safeguarded that the number of bonds and participation rights with option and/or conversion rights or obligations and share delivery rights which may be issued on the basis of the New Authorization Simplifying the Exclusion of Subscription Rights is greater than the number which may be issued based on the Former Authorization Simplifying the Exclusion of Subscription Rights. From the perspective of the Executive Board, this is in particular in the interest of the enterprise and its shareholders because, in case of a successful admission procedure, Epi proColon® must be commercialized in the U.S. Such a commercialization is expected to cause a significant need for capital for the Company. Provision for such need for capital - at the best possible conditions - and financing of the commercialization of Epi proColon® in case of the successful completion of the admission procedure in the U.S., is particularly important for the sustainable development of the Company's business activity.

The Executive Board is authorized by the New Authorization Simplifying the Exclusion of Subscription Rights subject to the approval of the Supervisory Board to completely exclude the subscription right of the shareholders if the issue of the bonds or of the option or conversion rights and/or participation rights with share delivery rights is effected against cash payment at a price which is not materially below the market value of such bonds or participation rights. This enables the Company to quickly seize favorable market opportunities on a short-term basis and, by determining the conditions in accordance with prevailing market terms, to achieve better terms regarding interest rates, the option or conversion price and the issue price of the bonds and/or participation rights. If the subscription rights were not excluded, any such market-oriented determination of the conditions and a smooth placement would not be possible. While Section 186 Paragraph 2 AktG permits disclosure of the subscription price (and thus of the terms and conditions of such bonds and/or participation rights) until three days prior to the end of the subscription

period, considering the frequently observed volatility on the stock markets, the market risk will still be immanent for a number of days, which results in safety margins to be deducted in the determination of the terms and conditions of the bonds and/or participation rights, and, eventually, in conditions which are not based on market terms. Also, the existence of a subscription right could jeopardize any successful placement with third parties, or result in additional expenses, due to the uncertainty of the exercise thereof (subscription behavior). Finally, the granting of a subscription right would hinder the Company from responding to favorable or adverse market conditions on a short-term basis due to the length of the subscription period, and the Company would instead be subject to declining stock prices during such period, which, in turn, could deteriorate the Company's options for the raising of capital.

In this case of a full exclusion of the subscription right, Section 186 Paragraph 3 Sentence 4 AktG shall apply accordingly pursuant to Section 221 Paragraph 4 Sentence 2 AktG. This provision prescribes a limit of 10% of the share capital in respect of the exclusion of subscription rights which is to be observed according to the resolution. The maximum amount of conditional capital which in this case may be made available for the purpose of securing option or conversion rights or obligations or the share delivery right must not exceed 10% of the share capital existing at the time the New Authorization Simplifying the Exclusion of Subscription Rights comes into force. The resolution on the authorization contains a corresponding provision which also ensures that, even in case of a capital reduction, the limit of 10% of the share capital is not exceeded, since the New Authorization Simplifying the Exclusion of Subscription Rights expressly prescribes that the 10% limit must not be exceeded whether at the time the New Authorization Simplifying the Exclusion of Subscription Rights becomes effective or – if such value is lower – at the time the granted New Authorization Simplifying the Exclusion of Subscription Rights is exercised. In this context, treasury shares which are sold in accordance with Section 186 Paragraph 3 Sentence 4 AktG as well as shares newly issued by the Company in case of a capital increase excluding the subscription right pursuant to Section 186 Paragraph 3 Sentence 4 AktG or pursuant to Sections 203, 186 Paragraph 3 Sentence 4 AktG count towards such limit, where the sale or issuance takes place during the term of the New Authorization Simplifying the Exclusion of Subscription Rights prior to an issue of the bonds or participation rights excluding the subscription right pursuant to Sections 221 Paragraph 4 Sentence 2, 186 Paragraph 3 Sentence 4 AktG; they thus reduce the volume of shares which may be issued based on the New Authorization Simplifying the Exclusion of Subscription Rights. The same applies to shares in respect of which an option or conversion right or obligation or a right to deliver shares in favor of the Company exists due to bonds with warrants or convertible bonds or participation rights which have been issued during the term of the New Authorization Simplifying Exclusion of the Subscription Right based on other authorizations under exclusion of the subscription right pursuant to Section 221 Paragraph 4 Sentence 2 in connection with Section 186 Paragraph 3 Sentence 4 AktG by the Company or any of its subsidiaries. Those shares shall also be counted towards the aforementioned 10% limit.

Section 186 Paragraph 3 Sentence 4 AktG further provides that the issue price must not be materially below the stock exchange price. This provision is intended to prevent a significant economic dilution of the value of the shares. Whether such a dilution effect occurs in case of the issuance of bonds or participation rights without subscription right can be determined by calculating the hypothetical market value of the bond and/or participation right based on recognized, particularly financial mathematical, methods and comparing this value with the issue price of the bond and/or participation right. If this issue price – after due examination – is not more than insignificantly lower than the hypothetical stock market price at the time when the bonds and/or participation rights are issued, the exclusion of the subscription right is not prohibited based on the rationale of Section 186 Paragraph 3 Sentence 4 AktG due to the merely insignificant discount. The proposed resolution therefore provides that the Executive Board – prior to the issuance of the bonds and/or participation rights and after due examination in accordance with its legal duties – must have come to the conclusion that the envisaged issue price of the bonds and/or participation rights does not lead to a significant dilution of the value of the shares, as the issue price of the bonds and/or participation rights does not significantly fall short of the hypothetical market value calculated pursuant to recognized, in particular financial mathematical methods. Thereby, the arithmetical market value of a subscription right would be reduced to nearly zero such that no significant economic disadvantage may arise for the shareholders due to the exclusion of the subscription right. All this ensures that no significant dilution of the value of the shares will result from the exclusion of the subscription right.

In addition, the shareholders have the opportunity to maintain their pro rata share of the share capital of the Company also subsequent to the exercise of option or conversion rights, the performance of option or conversion obligations or the exercise of a share delivery right through stock market purchases of shares at any time. In contrast, the New Authorization Simplifying Exclusion of the Subscription Right offers the Company market-adequate determination of the terms and conditions, maximum security with respect to the possibility to place the bonds and/or participation rights with third parties and the quick utilization of propitious market situations.

Berlin, April 2014

Epigenomics AG

The Executive Report