Report of the Management Board on agenda item 7 pursuant to Sec. 186 Para. 4 Sent. 2, Sec. 203 Para. 2 Sent. 2 AktG

The Annual General Shareholders' Meeting of June 3, 2008, passed a resolution to the effect that the Management Board is authorized until June 2, 2013, to increase the share capital of the Company with the consent of the Supervisory Board once or several times by up to € 2,671,088.00 against contribution in cash and/or in kind by issuing new non-par value bearer shares (Authorized Capital 2008/I).

In its report pursuant to Sec. 186 Para. 4 Sent. 2, Sec. 203 Para. 2 Sent. 2 AktG regarding the creation of the Authorized Capital 2008/I, the Management Board has commented that for the coming years, the Management Board should be enabled to react at short notice on upcoming financing opportunities and requirements in connection with the development and commercialization of the Company's diagnostic products.

The proposal by the Management Board and the Supervisory Board to the Annual General Shareholders' Meeting to create the Authorized Capital 2009/II serves the same purpose. In addition to this purpose and with respect to the notice of a loss equal to one half of the share capital given under agenda item 5, the Management Board and the Supervisory Board consider it necessary to broaden the authorities of the Management Board to obtain additional equity. The proposed new Authorized Capital 2009/II together with the new Authorized Capital 2009/I proposed under agenda item 6 would exhaust the scope permitted by the German Stock Corporation act. the proposal under agenda item 7 shall authorize the Management Board to increase the share capital of the Company with the consent of the Supervisory Board once or several times by up to € 11,757,889.00 against contribution in cash and/ or in kind by issuing new non-par value bearer shares until May 10, 2014.

Upon the exercise of the Authorized Capital 2009/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 Management Board shall be entitled to exclude the subscription right for fractional amounts. This shall simplify the implementation of a capital increase 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 Management Board shall be entitled to exclude the shareholders' subscription right in the event of a capital increase against contribution in kind. The Management 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. 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 Management 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 Management 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 Management 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 authorization.

Berlin, March 2009

Epigenomics AG
The Management Board