Report of the Management Board on agenda item 6 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/I serves the same purpose. In addition to this purpose and in respect of 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/I together with the new Authorized Capital 2009/II as proposed under agenda item 7 would exhaust the scope permitted by the German Stock Corporation act. The proposal under agenda item 6 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 € 2,939,472.00 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/I, 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 four 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 subscription right in the case that the new shares are issued in a capital increase against contribution in cash at an issuing price which is not materially below the market price pursuant to Sec. 186 Para 3 Sent. 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, even on very short notice. The exclusion of the subscription right enables the Company not only to prompter actions, but also to the placement of shares at a price close to the market price, i.e. without the reduction which, in general, is required in connection with an issuance with the subscription right being granted. This results in higher issuance proceeds to the benefit of the Company. In addition, with such placement, new shareholders could be addressed to. the German Stock Corporation act does not provide for a fixed limit on the discount. When utilizing the authorization, the Management Board will determine – with the consent of the Supervisory Board – the discount as low as possible according to the market conditions prevailing at the time of the placement. a discount of 3% up to a maximum of 5% of the current market price will generally not be regarded as a substantial shortfall. The shares issued with an exclusion of the subscription right according to Sec. 186 Para. 3 Sent. 4 aktG must not, in total, exceed 10% of the share capital, neither at the time the authorization becomes effective nor at the time of the usage thereof. In calculating this limit, the Company's own shares will be considered if sold under exclusion of the subscription right pursuant to Sec. 186 Para. 3 Sent. 4 AktG during the term of this authorization. Shares issued upon the exercise of bonds with conversion and/or option rights respect ively to fulfill a conversion obligation will be credited against this 10% limit as well if the bonds were issued during the term of the authorization with the exclusion of the subscription right in accordance with Sec. 186 Para. 3 Sent. 4 AktG.

This requirement responds, in accordance with the law, to the need of the shareholders for a dilution protection regarding their investment. Due to the limitation of capital increases with the exclusion of subscription rights, each shareholder has, in principle, the possibility to purchase the number of shares necessary to preserve his share quota at substantially the same terms and conditions on the stock exchange. Thus, in the event of the usage of this authorized capital with the exclusion of the subscription right interests regarding the investment and the voting rights are adequately considered in correspondence with the legal purpose of Sec. 186 Para. 3 Sent. 4 AktG, whereas the Company obtains further flexibility for the benefit of all shareholders.

– 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.

– Finally, the Management Board shall be entitled to exclude the subscription right as far as holders of option rights or creditors of convertible bonds issued by the Company or its subordinated Group companies are granted a subscription right on new shares in accordance with the terms and conditions of the issuance. For a simplified placement in the capital market, the terms and conditions of warrants and convertible bonds normally provide for a protection against dilution securing that holders of option rights and creditors of convertible bonds upon the issuance of shares are granted a subscription right on such shares as shareholders would be entitled to do so. The beneficiaries of the subscription rights are treated as if they had exercised their subscription right and as if they were shareholders. In order to provide the accordant issuance (warrants or convertible bonds) with such a protection against dilution, the subscription right of the shareholders on such shares is to be excluded. This serves a simplified placement of the issuance and, therefore, the interest of the shareholders in an optimized finance structure of the Company.

In every single case, the Management Board will 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