

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

Under item 2 of the agenda, the Executive Board and the Supervisory Board propose to the General Shareholders' Meeting to be held on November 27, 2020 to create another authorization to issue convertible bonds and to exclude the subscription right.

The Executive Board issues, pursuant to Section 221 Paragraph 4 Sentence 2 in connection with Section 186 Paragraph 4 Sentence 2 AktG, the following written report on the authorization to exclude the subscription right in connection with the new authorization to issue convertible bonds under item 2 of the agenda:

The proposed new authorization to issue convertible bonds in an aggregate nominal amount of up to € 5,500,000.00 as well as the amendment of Conditional Capital XIV and Section 5 Paragraph 6 should enable the Company to raise liquidity at short notice.

The shareholders are, in principle, entitled to a statutory subscription right for bonds with conversion rights or conversion obligations, Section 221 Paragraph 4, Section 186 Paragraph 1 AktG. To the extent that shareholders are not granted the possibility to directly subscribe for the bonds, the Executive Board may make use of the possibility to issue bonds to a credit institution, to a company which is deemed equivalent to a credit institution by statute and by the proposed resolution, or to several, including to a syndicate of, credit institutions and/or equivalent companies, with the obligation to offer the bonds to the shareholders in accordance with their subscription rights (indirect subscription right within the meaning of Section 221 Paragraph 4 Sentence 2 in connection with Section 186 Paragraph 5 AktG).

However, according to the proposed resolution, the Executive Board is to be authorized, with the consent of the Supervisory Board, to exclude the shareholders' subscription rights for fractional amounts. This allows for a use of the requested authorization for whole amounts, thereby facilitating the technical implementation of the issue and the handling of the shareholders' subscription rights. Moreover, such fractional amounts are normally of small value to the individual shareholder and the possible dilution effect is generally marginal, too, because of its limitation to fractional amounts. Any bonds that are excluded from the subscription right on account of fractional amounts are utilized in the Company's best interests. In the opinion of the Executive Board, the exclusion of the subscription right is thus in the best interest of the Company and its shareholders.

The issue price of the new shares is € 1.10. This structure enables the Company to raise additional cash at short notice, on which it is urgently dependent in light of the current liquidity situation and the operational challenges in connection with the current reimbursement procedure of Epi proColon in the USA (*National Coverage Determination; NCD*). In particular, the Company succeeded to conclude a so-called backstop agreement with several shareholders, namely Deutsche Balaton Aktiengesellschaft and other companies, which are affiliated with Deutsche Balaton Aktiengesellschaft within the meaning of Sections 15 et seqq. AktG, at this issue amount on November 3, 2020. In the backstop agreement, Deutsche Balaton Aktiengesellschaft undertook, in the event that the General Meeting resolves the authorization proposed under item 2 of the agenda, the respective amendment of Conditional Capital XIV and of Section 5 Paragraph 6 of the Articles of Association is entered in the commercial register and the Company makes use of this authorization and, furthermore, the General Shareholders' Meeting resolves the capital reductions proposed under items 3 and 4 of the agenda and these resolutions are entered in the commercial register, to subscribe for convertible bonds in a nominal amount of up to € 4,000,000.00 by exercising its subscription right and, in addition, by acquiring convertible bonds that the shareholders have not subscribed to.

The conditions of the convertible bonds, including the issue price, will not be adjusted in the event of the adoption of a resolution and implementation of the capital reductions proposed to the General Meeting under items 3 and 4 of the agenda.

The above report of the Executive Board on item 2 of the agenda will be available on the Internet at <http://www.epigenomics.com/news-investors/general-shareholder-meeting/> as of the date on which the General Shareholders' Meeting is convened. In addition, the report will be available on the aforementioned website during the General Shareholders' Meeting on November 27, 2020.

Berlin, November 2020

Epigenomics AG
The Executive Board