



Independent Research

Unabhängige Finanzmarktanalyse GmbH

Research Note

MOLOGEN AG

**First patients enrolled in the Phase II study for MGN1703;
Approval of Phase I/II study for MGN1601**

06/29/2010

Please take note of the information concerning the preparation of this document, the information concerning potential conflicts of interest, the compulsory information required by Section 34b WpHG (Wertpapierhandelsgesetz - German Securities Trading Act), and the liability statement at the end of this document. This financial analysis in the meaning of Section 34b WpHG shall only be distributed to professional clients or eligible counterparties according to Section 31a WpHG.

Patients enrolled in study for MGN1703**Approval of study for MGN1601**

- ⇒ MOLOGEN has initiated the Phase II clinical trial of MGN1703 for colorectal cancer (CRC) with enrollment of the first patients. After the authorities in charge had given their approval already in March, the ethics councils of Germany and Austria have now given the green light as well.
- ⇒ The Phase II trial is designed as a double-blind, placebo-controlled, multi-centre study. Its primary goal is to show significant efficacy of MGN1703 (proof of concept). The trial includes 129 patients with metastatic cancer of the large intestine and rectum whose disease state stabilised after being treated with standardised chemo-immunotherapy. The patients will receive treatment with MGN1703 (2 x 60 mg per week) until the tumour growth is progressing again.
- ⇒ The Phase II trial will last between 18 and 24 months. MOLOGEN expects the first interim results to be available in Q1 2011. Should the results be positive, the company plans to transfer the study into a licensing relevant Phase III study (duration of study: up to three years in total).
- ⇒ Furthermore, the health authorities have approved a combined Phase I/II trial of MGN1601 for renal cell cancer (RCC). The trial is to be initiated in Q4 2010.
- ⇒ The open, single-arm, non-randomised, multi-centre study includes 24 patients who are suffering from advanced renal cell cancer. The patients will be treated with MGN1601 several times over a period of three months. After that, there will be a follow-up. The primary endpoint of the study is to prove safety and tolerability of the drug. Efficacy data will be recorded as well. MOLOGEN assumes that the study will last approximately one year. As it is a non-blind study, the patients' response can be determined relatively quickly. Based on the results of the study, the company intends to file for a clinical Phase II trial.

MOLOGEN AG 6)**Recommendation: Buy****before:**

as of

Price target (in EUR) (6 months)	14.80
Share price(Xetra) (in EUR)	9.39
06/25/10 3:52 PM	
Share price potential	57.66%

Company date

Country	GE
Sector	Biotechnology
Market segment	Prime Standard
ISIN	DE0006637200
Reuters	MGNG.DE
Bloomberg	MGN
Internet	www.mologen.com

Data shares

Shares (m)	11.155
Freefloat	41.00%
Market cap. (EURm)	104.7
∅ Trading volume	9,657
52W High 06/04/10	EUR10.00
52W Low 09/14/09	EUR6.25
Beta	1.5
Volatility (60 days)	34.70

Multiples

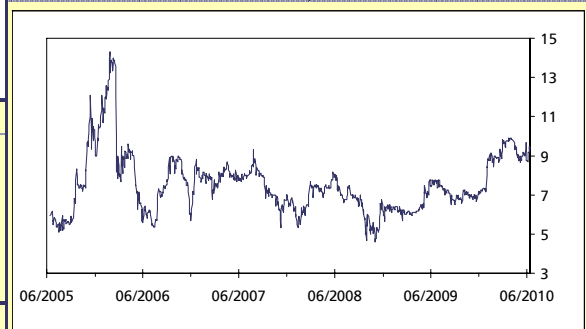
	EV/Sales	EV/EBIT	P/E ratio	Dividend yield
2007	350.2	neg.	neg.	0.0%
2008	265.6	neg.	neg.	0.0%
2009	1296.0	neg.	neg.	0.0%
2010E	228.7	neg.	neg.	0.0%
2011E	6.4	16.9	20.4	0.0%

Performance (in %)

	1m	3m	6m	12m
absolut	2.3	-3.6	28.6	23.8
related to:				
DAX	0.2	-2.8	27.2	-2.6
Prime Pharma	-1.6	-5.6	19.0	-3.8

Index weighting

CDAX	0.010%
Prime Pharma	0.200%

**Author: S. Röhle (analyst)**

AP	FY	Sales	EBIT	EBT	EAT	EPS
IFRS	2007	0.15	-6.78	-6.47	-6.47	-0.71
IFRS	2008	0.21	-6.30	-6.09	-6.09	-0.65
IFRS	2009	0.05	-6.35	-6.28	-6.28	-0.64
IFRS	2010E	0.42	-8.13	-8.13	-8.13	-0.75
IFRS	2011E	15.13	5.70	5.70	5.13	0.46
CAGR 2007 - 2011E		216.9%	-	-	-	-

Figures in EURm except EPS, hist. PERs based on average share prices

1)2)3)4)6) **Please notice the advice regarding possible conflicts of interests as well as the disclaimer at the end of this document**

- ⇒ With MGN1703 (CRC) and MGN1601 (RCC), MOLOGEN will have two products under clinical development at the end of 2010. In our opinion, it is more likely now that the Phase II trial of MGN1703 will achieve the primary endpoint. The final results of the Phase Ib trial have shown once again and more clearly the drug's efficacy (cf. Research Note released on June 17, 2010).
- ⇒ MOLOGEN also plans to initiate a Phase II trial of another dSLIM indication. The capital increase placed on June 11, 2010 (gross issue proceeds: EUR4.25m) has probably created the financial basis for that.
- ⇒ The stock price has increased by 7.9% since our last commentary (June 17, 2010). Due to the anticipated positive study results, we see further upside potential for the MOLOGEN share. Thanks to the company's good financial position, there will presumably be only a minor financing gap until the expected licensing out of MGN1703 in 2011 - or maybe no gap at all in the event of an earlier transaction. This should ease pressure on the stock significantly. Against this background, we reaffirm our price target of EUR14.80 and our Buy recommendation.

DCF model MOLOGEN AG										
in EURm	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Sales	0.42	15.13	2.37	39.12	30.85	69.62	87.20	91.84	119.32	122.58
Sales growth	692.5%	3501.4%	-84.4%	1553.0%	-21.2%	125.7%	25.2%	5.3%	29.9%	2.7%
EBIT margin	neg.	37.7%	neg.	75.9%	63.2%	74.1%	75.2%	74.4%	75.8%	74.8%
EBIT	-8.13	5.70	-5.11	29.69	19.51	51.59	65.53	68.35	90.41	91.72
- Income tax	0.00	-0.57	0.82	-5.94	-5.85	-15.48	-19.66	-20.50	-27.12	-27.52
+ Depreciation	0.48	0.49	0.50	0.52	0.55	0.58	0.61	0.64	0.67	0.70
+/- Change in long-term provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+/- Other	0.53	0.66	0.82	1.03	1.28	1.60	2.00	2.50	3.13	3.91
Operating cash flow	-7.12	6.27	-2.97	25.30	15.49	38.29	48.48	50.98	67.09	68.82
-/+ Change in working capital	-0.01	-0.45	-0.07	-1.17	-0.93	-2.09	-2.62	-2.76	-3.58	-3.68
-/+ Net capital expenditure	-0.15	-0.20	-0.25	-0.30	-0.27	-0.44	-0.49	-0.51	-0.58	-0.59
Free cash flow	-7.28	5.62	-3.29	23.83	14.29	35.77	45.37	47.72	62.93	64.55
Present values	-6.67	4.33	-2.14	13.04	6.58	13.87	14.82	13.13	14.57	12.59
Sum of present values	84.12									
Terminal value	73.23									
				in % of total value:	47%					
Value of operating business (EURm)	157.35									
+ Excess cash (EURm)	8.64									
- Financial debt (EURm)	0.00									
Fair value of equity (EURm)	165.99									
Number of shares (m)	11.155									
Fair value per share in EUR	14.88									

Model parameters / Entity DCF model:					
Long-term capital structure ->	Equity:	70%	Financial debt:	30%	
Risk free rate of return:	4.0%	Beta:	1.5	Risk premium debt:	8.5%
		Risk premium:	10.0%	Tax shield:	0%
		Cost of equity:	19.2%	Cost of debt:	12.5%
Growth rate FCF:	0.0%	WACC :	17.2%	Date:	06/28/10

Source: Independent Research

Sensitivity analysis (in EUR)					
		Discount rate			
		16.7%	17.2%	17.7%	18.2%
Growth	0.0%	15.67	14.88	14.14	13.45
	0.5%	15.93	15.11	14.35	13.64
	1.0%	16.20	15.35	14.57	13.84
	1.5%	16.49	15.62	14.80	14.05

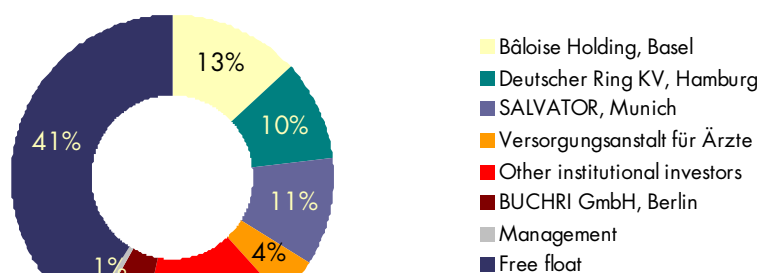
Source: Independent Research

1)2)3)4)6) Please notice the advice regarding possible conflicts of interests as well as the disclaimer at the end of this document

MOLOGEN AG													
Profit and loss account													
Unit: End of fiscal year: Reporting standard:	EURm Dec 31 IFRS	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Revenue		0.21	0.05	0.42	15.13	2.37	39.12	30.85	69.62	87.20	91.84	119.32	122.58
yoy in %		40.0%	-74.8%	692.5%	>100%	-84.4%	1553.0%	-21.2%	125.7%	25.2%	5.3%	29.9%	2.7%
Others		0.21	0.05	0.12	0.13	0.13	0.14	0.15	0.15	0.16	0.17	0.18	0.19
MGN1601/dSLIM, MIDGE RCC		-	-	-	-	-	15.00	0.00	7.50	26.99	9.04	13.64	18.30
MGN1703/dSLIM CRC		-	-	-	15.00	0.00	7.50	28.45	23.96	36.15	48.49	60.97	49.07
MGN1706/dSLIM PC		-	-	-	-	0.00	15.00	0.00	34.99	20.07	30.29	40.63	51.09
Leishmaniasis (vet)		-	-	0.30	-	2.23	1.48	2.25	3.03	3.82	3.86	3.90	3.94
Other operating income		0.04	0.31	0.45	0.75	0.17	0.18	0.20	0.22	0.24	0.27	0.29	0.32
Increase/decrease in stocks finished products		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross profit		0.25	0.36	0.87	15.88	2.53	39.30	31.05	69.84	87.44	92.11	119.61	122.90
Research & Development		-1.75	-2.17	-3.91	-4.99	-2.15	-3.49	-4.63	-10.44	-13.08	-13.78	-17.90	-18.39
Others		-	-	-0.20	-0.20	-1.50	-3.39	-4.63	-10.44	-13.08	-13.78	-17.90	-18.39
MGN1601/dSLIM, MIDGE RCC		-	-	-0.40	-0.55	-0.55	-0.10	-	-	-	-	-	-
MGN1703/dSLIM CRC		-	-	-1.71	-0.94	-	-	-	-	-	-	-	-
MGN1706/dSLIM PC		-	-	-1.60	-3.30	-0.10	-	-	-	-	-	-	-
Leishmaniasis (vet)		-	-	-	-	-	-	-	-	-	-	-	-
General R&D and Administrative		-4.80	-4.54	-5.09	-5.19	-5.49	-6.12	-6.91	-7.81	-8.83	-9.99	-11.30	-12.80
Salaries		-2.08	-2.25	-2.36	-2.48	-2.72	-3.06	-3.52	-4.05	-4.66	-5.36	-6.16	-7.09
Amortization		-0.51	-0.47	-0.48	-0.49	-0.50	-0.52	-0.55	-0.58	-0.61	-0.64	-0.67	-0.70
Other operating expenses		-2.21	-1.82	-2.25	-2.22	-2.26	-2.54	-2.84	-3.18	-3.56	-3.99	-4.47	-5.00
Operating Expenses		-6.55	-6.71	-9.00	-10.18	-7.64	-9.61	-11.54	-18.25	-21.91	-23.76	-29.20	-31.18
EBIT		-6.30	-6.35	-8.13	5.70	-5.11	29.69	19.51	51.59	65.53	68.35	90.41	91.72
in % of revenues		neg.	neg.	neg.	37.7%	neg.	75.9%	63.2%	74.1%	75.2%	74.4%	75.8%	74.8%
Financial result		0.21	0.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBT		-6.09	-6.28	-8.13	5.70	-5.11	29.69	19.51	51.59	65.53	68.35	90.41	91.72
in % of revenues		neg.	neg.	neg.	37.7%	neg.	75.9%	63.2%	74.1%	75.2%	74.4%	75.8%	74.8%
Income taxes		0.00	0.00	0.00	-0.57	0.82	-5.94	-5.85	-15.48	-19.66	-20.50	-27.12	-27.52
in % of EBT		0.0%	0.0%	0.0%	-10.0%	-16.0%	-20.0%	-30.0%	-30.0%	-30.0%	-30.0%	-30.0%	-30.0%
EBT (and minority interests)		-6.09	-6.28	-8.13	5.13	-4.29	23.75	13.65	36.11	45.87	47.84	63.29	64.20
in % of revenues		neg.	neg.	neg.	33.9%	neg.	60.7%	44.3%	51.9%	52.6%	52.1%	53.0%	52.4%
Minority interests		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Change of the accounting method		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net profit/loss for the year		-6.09	-6.28	-8.13	5.13	-4.29	23.75	13.65	36.11	45.87	47.84	63.29	64.20
in % of revenues		neg.	neg.	neg.	33.9%	neg.	60.7%	44.3%	51.9%	52.6%	52.1%	53.0%	52.4%
Weighted average number of shares (m)		9.356	9.849	10.891	11.155	11.155	11.155	11.155	11.155	11.155	11.155	11.155	11.155
EPS (in EUR)		-0.65	-0.64	-0.75	0.46	-0.38	2.13	1.22	3.24	4.11	4.29	5.67	5.76

Source: Independent Research, MOLOGEN AG

Shareholder structure of MOLOGEN



Source: MOLOGEN AG

1)2)3)4)6) Please notice the advice regarding possible conflicts of interests as well as the disclaimer at the end of this document

Disclaimer

Recommendations concerning particular shares (starting December 18, 2009)

- Buy: According to our assessment, the stock will rise by at least 15% in absolute terms within a 6-month period.
- Hold: According to our assessment, the stock will rise by between 0% and 15% in absolute terms within a 6-month period.
- Sell: According to our assessment, the stock will decline in absolute terms within a 6-month period.

Recommendations concerning particular shares (until December 17, 2009)

- Buy: According to our assessment, the stock will rise by at least 15% in absolute terms within a 6-month period.
- Accumulate: According to our assessment, the stock will rise by between 0% and 15% in absolute terms within a 6-month period.
- Reduce: According to our assessment, the stock will decline by between 0% and 15% in absolute terms within a 6-month period.
- Sell: According to our assessment, the stock will decline by least 15% in absolute terms within a 6-month period.

Compulsory information required under Section 34b of the German Securities Trading Act (WpHG) and the Financial Analysis Regulation

Key sources of information

Key sources of information used in the preparation of this document are publications in foreign and domestic media such as information services (e.g. Reuters, VWD, Bloomberg, DPA-AFX etc.), the financial press (e.g. Börsenzeitung, Handelsblatt, FAZ, FTD, Wall Street Journal, Financial Times etc.), specialised journals, published statistics, rating agencies and publications of the issuers under coverage.

Summary of the valuation principles used:

Analyses of shares:

In valuing companies standard and accepted valuation methods (amongst others the Discounted Cash Flow Method (DCF Method), Peer-Group Analysis) are applied. Under the DCF Method the net value of the issuer is calculated, which represents the sum of the discounted company results, i.e. the net present value of the issuer's future net cash flows. The net value is therefore determined with reference to the company's anticipated future results and the discount rate applied. Under the Peer-Group Analysis Method issuers quoted on the Stock Exchange are valued with reference to the comparison of valuation multiples (e.g. price/earnings ratio, price/book value, enterprise value/sales, enterprise value/EBITDA, enterprise value/EBIT). Comparability of the valuation multiples is primarily determined by business activity and economic prospects.

Sensitivity of the valuation parameters:

The figures taken from the income statement, the cash flow statement and the balance sheet, upon which the valuation of companies is based, are numerical estimates and therefore subject to risks. These may change at any time without prior notice.

Quite apart from the valuation method applied, there is a very real risk that the share price target may not be reached in the anticipated period of time. Risks include unforeseen changes in competitive pressure or in demand for the issuer's products. Such fluctuations in demand may arise as a result of changes of a technological nature, the overall level of economic activity or in some cases as a result of changes in moral concepts. Changes in tax law, in exchange rates and, in certain business segments, in regulations are other factors which can influence valuations. The above discussion of valuation methods and risk factors makes no claim to be exhaustive.

Timing conditions of planned updates:**Analyses of shares:**

Independent Research GmbH maintains a list of issuers for whom company-based financial analyses („Coverage list of share analyses“) are published. The criterion for the inclusion or removal of an issuer from this list is governed primarily by the company's inclusion in an index (DAX®, EuroStoxx 50SM, and Stoxx Europe 50SM). In addition, selected issuers from the mid and small cap segment or from the US markets are included. In such cases the inclusion or removal of these issuers from the coverage list is at the sole discretion of Independent Research GmbH. If deemed appropriate by the analysts, Independent Research GmbH will release a short expert commentary or studies concerning the companies on the coverage list. As a rule, such research products will be published following the release of financial figures of a company under coverage. Moreover, every day company-specific events such as ad hoc announcements or important news relating to individual companies on the coverage list are evaluated. The decision as to which issuers are covered by such publications is at the sole discretion of Independent Research GmbH. Moreover, fundamental analyses are prepared for the issuers included on the coverage list. The decision as to which issuers are covered by such publications is at the sole discretion of Independent Research GmbH.

It may occur at any time that, in fulfilment of the provisions of the German Securities Trading Act, the publication of financial analyses of individual issuers included in the coverage list is restricted without any prior warning.

Internal organisational measures to deal with the prevention or handling of conflicts of interest:

Employees of Independent Research GmbH who are involved in the preparation and/or the offering of financial analyses are subject to the company's internal compliance regulations which classify them as employees in an environment requiring confidentiality. The company's internal compliance regulations are in accordance with Sections 33 and 33b of the German Securities Trading Act (WpHG).

Possible conflicts of interest – as at: 06/29/2010 –

Further possible conflicts of interest are indicated as follows:

Independent Research GmbH and/or its affiliated companies:

- 1) own at least 1% of the issuer's share capital.**
- 2) have been involved in the management of a consortium issuing financial instruments of the issuer by way of a public offer within the last twelve months.**
- 3) look after financial instruments of the issuer in a market through the placement of buying or selling orders.**
- 4) have concluded an agreement with issuers within the last twelve months, which are either themselves or through their financial instruments the object of a financial analysis, covering services related to investment banking transactions or have received a service or a promise of services in such an agreement.**
- 6) have concluded an agreement with the issuers which are either themselves or through their financial instruments the object of the financial analysis regarding the preparation of the financial analysis.**

As at: 06/29/2010

**Independent Research GmbH
Senckenberganlage 10-12
60325 Frankfurt am Main
Germany**

Responsible supervisory authority:
Federal Financial Supervisory Authority
(Bundesanstalt für Finanzdienstleistungsaufsicht)
Graurheindorfer Str. 108, 53117 Bonn
and
Lurgiallee 12, 60439 Frankfurt

Liability statement

This document is for information purposes only. It has been prepared by Independent Research GmbH and shall be distributed in Germany only. This document is not directed to persons or companies domiciled and/or maintaining branch-offices outside Germany, particularly in the United States of America, Canada, United Kingdom, and Japan. This document shall only be distributed according to the applicable laws of the respective country. Any persons receiving this document, i.e. this information and material, shall be obliged to inform themselves about the applicable laws of the respective country and to act accordingly.

This document constitutes neither an offer nor an invitation to subscribe to or to purchase a security. Especially with preparation of this document Independent Research GmbH shall not act as an investment consultant or neither acts on the basis of some asset management duty or obligation. Any investment decision regarding any security or other financial instruments must be based on individual, professional advice and/or on the prospectus or information memorandum.

This document constitutes an independent assessment of the respective issuer and/or the negotiable securities by Independent Research GmbH. All and any herein contained assessments, opinions and statements are those of the author of this document and do not necessarily reflect the opinion of the issuer or third parties.

All and any information this document is based on has been taken from resources considered as reliable but has not necessarily been verified by Independent Research. Therefore, Independent Research GmbH does not warrant the accuracy, completeness and correctness of the information and opinions contained herein.



Independent Research GmbH assumes no responsibility or liability for direct or indirect damage arising from the use or distribution of this document or of the information contained therein or which otherwise may arise from it.

The information, opinions and statements represent the status quo of the day of the preparation of the document. Future developments may render them out of date without any changes made to this document. Price movements experienced in the past, simulations or forecasts are no reliable indicators for future price movements of securities. The tax treatment of financial instruments depends on the individual circumstances of the respective investor and may be subject to future changes, which may be retroactive.

Although Independent Research GmbH may provide hyperlinks to websites of companies mentioned in this study, the inclusion of a given hyperlink shall not mean that Independent Research GmbH confirms, recommends or authorises all and any data on the respective website or data that can be accessed from the website. Independent Research GmbH assumes no liability for such data nor for any consequences arising from the use of same.

Independent Research GmbH is entitled to have investment banking and other relationships to the companies which are subject to this study. The research analyst as well deliver important input for investment banking and other processes for the selection of companies. Investors should assume that Independent Research GmbH and its affiliated companies are thriving to acquire investment banking and other businesses, which are subject of this study, from the companies and that the research analyst having been involved in the preparation of this study may be part in the realisation of such a business in the scope of the applicable laws. Independent Research GmbH and/or the respective affiliated companies as well as their employees may hold positions in the financial instruments or do business with such securities.

Research analysts are not remunerated for specific investment banking transactions. The author(s) of this study receive(s) a remuneration which is partially based on the total profitability of Independent Research GmbH, which comprises profits and earnings generated from investment banking business and other business areas of the company. The analysts of Independent Research GmbH and their household members as well as persons who report to the analysts must under no circumstances have a financial interest in the financial instruments of the companies which are covered by the analyst.

Independent Research GmbH and its affiliated companies and/or members of its management board, its senior managers and/or its employees may hold positions in any of the financial instruments or related investments mentioned in this document and may buy or sell these financial instruments and the related investments. Independent Research GmbH and its subsidiaries may act as custodians for the financial instruments or related investments, may on their own account sell them to customers or buy them from customers, perform financial services on behalf of or in relation to these issuers or offer such services and may also be represented in the management board or in other bodies or committees of these issuers.

The recipient accepts with receipt of this document the binding force of the foregoing restrictions.



Independent Research

Senckenberganlage 10-12
60325 Frankfurt am Main
Germany

Phone: +49 (69) 971490-0

Fax: +49 (69) 971490-90

Email: info@irffm.de

Internet: www.irffm.de