

Recommendation:
BUY (Update)

Risk:
HIGH (High)

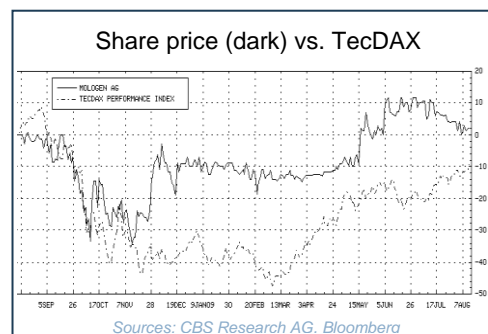
Price Target:
EUR 14.17 (14.17)

14 August 2009

No surprises in 1H 2009

Some improvement on the costs side

- On 13 August 2009, MOLOGEN released its financial figures for the first half of 2009. The half year results were in line with our expectations. Thus, in 1H 2009 the company's sales revenues amounted to EUR 0.03m (PY: EUR 0.07m). Such low sales revenues are typical for a biotechnological company, whose drug candidates are at the stage of clinical trials.
- The first half of 2009 was particularly characterised by improvement on the cost side of the business. Thus, decreased cost of materials, other operating expenses and slightly lower personnel expenses led to a better net result, which totalled EUR -2.4m in 1H 2009 (PY: EUR -3.2m).
- In our initiating coverage we emphasised that successful development of the drug candidates depends to a large extent on the financing aspect. In this sense MOLOGEN managed to achieve some advance. In the first half of 2009, the company received additional cash inflow which resulted from capital increase, conducted in March 2009 and employees' stock option exercise. This should back up the financing of R&D activities at least in the short-term.
- Based on positive interim results of MGN1703 clinical trials, the responsible authorities have approved an extension of the study to the maximum dosage of 60 mg per treatment with two courses of treatment per week. Initial results achieved with this additional dosing group are expected to be available by the end of 3Q 2009.
- Although we have slightly adjusted our estimates for 2009E, the overall development of 1H 2009 figures is fairly in line with our expectations. Therefore, we retain our EUR 14.17 price target and confirm our BUY recommendation.



Change	2009e		2010E		2011E	
	new	old	new	old	new	old
Sales	0.1	0.4	0.6	0.6	25.0	25.0
EBIT	-5.6	-5.8	-7.3	-7.3	12.9	12.9
EPS	-0.57	-0.59	-0.69	-0.69	1.07	1.07

Internet: www.Molgen.com Sector: Biotechnology
WKN: 663720 ISIN: DE0006637200
Reuters: MGNG.DE Bloomberg: MGN GY

Share data:

Share price (EUR):	7.15
Shares outstanding (m):	10.14
Market capitalisation (EURm):	72.52
Enterprise value (EURm):	66.70
Ø daily trading volume (no. of shares):	2,462

Performance data:

High 52 weeks:	7.98
Low 52 weeks:	4.03
Absolute performance (12 months):	16%
Relative performance (vs. TecDAX):	
1 month	-18.0%
3 months	-4.3%
6 months	-8.5%
12 months	21.9%

Shareholders:

Institutional investors:	27.1%
Deutscher Ring Krankenversicherungsv.:	10.0%
Bâloise Holding:	15.0%
Founder and management:	6.7%
Free float:	41.2%

Financial calendar:

n.a. n.a.

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Key data

Y/E 31/12., EUR m	2007	2008	2009E	2010E	2011E
Sales revenues	0.2	0.2	0.1	0.6	25.0
EBIT	-6.8	-6.3	-5.6	-7.3	12.9
Net income/loss	-6.5	-6.1	-5.6	-7.3	11.3
EPS	-0.69	-0.65	-0.57	-0.69	1.07
CPS	0.86	0.35	0.29	0.05	1.18
DPS	0.00	0.00	0.00	0.00	0.00
EBIT margin	neg.	neg.	neg.	neg.	51.53%
EV/EBIT	neg.	neg.	neg.	neg.	5.2
P/E	neg.	neg.	neg.	neg.	7.2

Source: MOLOGEN AG, CBS Research AG

Review of 1H 2009 results

On 13 August 2009, MOLOGEN posted financial figures for the first half of 2009. Considering the fact that MOLOGEN is currently at the development stage, the company does not generate any significant revenues. Thus in H1/2009 the company's sales revenues amounted to EUR 0.03m (PY: EUR 0.07m). Other operating income increased from EUR 0.01m in H1/2008 to EUR 0.21m in H1/2009. This growth is mostly attributable to received subsidies. A net result in the observed period was substantially better than in the previous year and totalled EUR -2.4m (PY: EUR -3.2m). The improvement in the bottom line is mostly explained by lowered cost of materials, which declined to EUR -0.5m in 1H 2009 (PY: EUR -0.7m), and other operating expenses. The decline in cost of materials was chiefly due to a reduction in purchased services and raw materials, whereas lowered other operating expenses resulted mainly from a reduction in purchased consulting services.

Substantial improvement on the cost side in 1H 2009

Financial review on 1H 2008 vs 1H 2009

IFRS EUR 1,000	1H 2008	1H 2009
Sales	66	34
YoY growth	-29.8%	-48.5%
EBITDA	-2,192	-3,030
as % of sales	-3321.2%	-8911.8%
EBIT	-3,292	-2,432
as % of sales	-4987.9%	-7152.9%
EBT	-3,164	-2,392
as % of sales	-4793.9%	-7035.3%
Net result	-3,164	-2,392
Earnings per share in (EUR)	-0.34	-0.25

Source: MOLOGEN AG; CBS Research AG

As we mentioned in our initiating coverage, further clinical studies of drug candidates developed by MOLOGEN requires significant capital injections. Having conducted capital increase in March 2009, the company received cash inflow of EUR 2.8m. Besides, in the second quarter 2009, additional capital in the amount of EUR 0.86m was received in the course of employees stock option exercise. Thus, the total amount of cash flow from financing activity was EUR 3.4m in 1H 2009. This should back up the financing in the short-term.

Stock options exercised by employees contributed with additional cash inflow

Research and Development

In the course of previous clinical trials DNA-based colorectal cancer medicine MGN1703 was found to have a favourable safety profile and good tolerability. Besides, the patients' response exceeded the initial expectations. More than 40% of the patients were in a stable condition after completion of the 6-week course of treatment. Based on these interim findings, the authorities responsible have approved an extension of the study to include an additional dosing group. Thus the company started prompt investigation of the maximum dosage of 60 mg per treatment with two courses of treatment per week. Initial results achieved with this additional dosing group will probably be available towards the end of the third quarter of 2009. MOLOGEN AG is currently making intensive preparations for additional clinical studies, in which the effectiveness of MGN1703 will be investigated. Phase 2 of the clinical study on patients with colorectal cancer is scheduled to start this year.

MGN1703 clinical trial was extended to a maximum dosage of 60 mg

Profit and loss account

IFRS EUR 1,000	2007	2008	2009E	2010E	2011E
Revenues	150	210	90	620	25,000
YoY growth	-96.5%	40.0%	-57.1%	588.9%	3932.3%
Other operating income	737	36	400	120	230
as % of sales	491.3%	17.1%	444.4%	19.4%	0.9%
Cost of materials	-1,567	-1,745	-1,567	-3,200	-6,700
as % of sales	-1044.7%	-831.0%	-1741.1%	-516.1%	-26.8%
Personell expenses	-3,325	-2,084	-2,069	-2,100	-2,650
as % of sales	-2216.7%	-992.4%	-2298.9%	-338.7%	-10.6%
Amortization	-536	-508	-446	-361	-298
as % of sales	-357.3%	-241.9%	-495.5%	-58.2%	-1.2%
Other operating expenses	-2,234	-2,212	-2,000	-2,350	-2,700
as % of sales	-1489.3%	-1053.3%	-2222.2%	-379.0%	-10.8%
EBIT	-6,775	-6,303	-5,592	-7,271	12,882
as % of sales	-4516.7%	-3001.4%	-6213.3%	-1172.8%	51.5%
Net financial results	304	212	0	0	0
EBT (Earnings before income taxes)	-6,471	-6,091	-5,592	-7,271	12,882
as % of sales	-4314.0%	-2900.5%	-6213.3%	-1172.8%	51.5%
Income taxes	0	0	0	0	-1,546
as % of EBT	0.0%	0.0%	0.0%	0.0%	-12.0%
Net income/loss	-6,471	-6,091	-5,592	-7,271	11,337
Minorities	0.0	0.0	0.0	0.0	0.0
Net income/loss	-6,471	-6,091	-5,592	-7,271	11,337
as % of sales	-4314.0%	-2900.5%	-6213.3%	-1172.8%	45.3%
Shares outstanding (in thousands)	9,317	9,378	9,803	10,553	10,553
Basic earnings per share (EUR)	-0.69	-0.65	-0.57	-0.69	1.07

Source: MOLOGEN AG; CBS Research AG

Balance Sheets

IFRS EUR 1,000	2007	2008	2009E	2010E	2011E
Assets					
Noncurrent assets	2,740	2,250	1,814	1,453	3,405
as % of total assets	24.2%	36.9%	35.3%	34.6%	18.1%
Tangible assets	275	185	129	78	283
Intangible assets	2,460	2,062	1,682	1,372	3,119
Financial assets	275	185	129	78	283
Other assets	5	3	3	3	3
Current assets	8,559	3,850	3,320	2,749	15,383
as % of total assets	75.8%	63.1%	64.7%	65.4%	81.9%
Inventories	44	19	210	91	200
Trade receivable	107	140	95	654	2,192
Profit tax entitlements	84	160	120	827	150
Other current assets	284	207	89	611	350
Cash and cash equivalents	8,040	3,324	2,807	565	12,491
Total assets	11,299	6,100	5,134	4,201	18,788
Shareholders' equity and liabilities					
Shareholders' equity	10,517	5,243	3,873	2,901	16,038
as % of total equity and liabilities	93.1%	86.0%	75.4%	69.1%	85.4%
Subscribed capital	9,317	9,378	9,803	10,553	10,553
Capital reserve	23,989	24,745	27,683	33,233	35,033
Payments received from the exercise of subscription rights	0	0	859	859	859
Balance sheet loss	-22,789	-28,880	-34,472	-41,743	-30,406
Noncurrent liabilities	192	91	187	300	300
as % of total equity and liabilities	1.7%	1.5%	3.6%	7.1%	1.6%
Accrual items	111	91	187	300	300
Provisions	81	0	0	0	0
Current liabilities	590	766	1,075	1,000	2,450
as % of total equity and liabilities	5.2%	12.6%	20.9%	23.8%	13.0%
Provisions	0	58	25	0	1,000
Trade liabilities	390	454	350	200	500
Other current liabilities	200	250	700	800	950
Liabilities to banks	0	4	0	0	0
Total equity and liabilities	11,299	6,100	5,134	4,201	18,788

Source: MOLOGEN AG; CBS Research AG

Cash flow statement

	IFRS	EUR 1,000	2007	2008	2009E	2010E	2011E
Net income (loss)			-6,471	-6,091	-5,592	-7,271	11,337
Amortisation of fixed assets			536	508	446	361	298
Deficit from disposal of fixed assets			1	2	0	0	0
Income from disposal of a subsidiary			-628	0	0	0	0
Decrease in provisions			-1	-23	-33	-25	1,000
Other non-cash income and expenses			1,257	486	0	0	0
Change in trade receivables, inventories and other assets			238	-2	12	-1,670	-709
Change in trade payables and other liabilities			-83	119	438	63	450
Net cash used for operating activities			-5,151	-5,001	-4,729	-8,541	12,376
Outflow for property, plant and equipment			-74	-20	-10	0	-250
Outflows for intangible assets			0	-1	0	0	-2,000
Inflow from disposals of subsidiary			1,077	0	0	0	0
Net cash provided by investing activities			1,003	-21	-10	0	-2,250
Cash receipts from issuing of capital			5,810	306	3,622	5,700	1,800
Cash received from subsidies			0	0	600	600	0
Net cash provided by financing activities			5,810	306	4,222	6,300	1,800
Foreign currency effect			-3	0	0	0	0
Net increase (decrease) in cash and cash equivalents			1,659	-4,716	-517	-2,241	11,926
Cash and cash equivalents, beginning of the year			6,381	8,040	3,324	2,807	565
Cash and cash equivalents at year's end			8,040	3,324	2,807	565	12,491

Source: MOLOGEN AG; CBS Research AG

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BUY: The expected performance of the share price is above +10%.

NEUTRAL: The expected performance of the share price trend is between +5% and +10%.

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Recommendation history for the company analysed in this report:

Date	Recommendation	Price at change date	Price Target
10 July 2009	BUY (Initiating Coverage)	EUR 7.35	EUR 14.17
14 August 2009	BUY (Update)	EUR 7.15	EUR 14.17

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