



Independent Research

Unabhängige Finanzmarktanalyse GmbH

Investment Research

MOLOGEN AG

H1 results

08/19/2008

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Results in line with forecasts**Publication of H1 2008 results**

- ⇒ The company's results for H1 2008 corresponded to our expectations. With a reported EURO.1m (0.1), the sales development was flat in year-on-year comparison as we had anticipated.
- ⇒ The operating costs reflect the high intensity of MOLOGEN's R&D efforts in the further development of its clinical and preclinical products.
- ⇒ The company recorded EBIT of EUR-3.3m (-2.9). After adjusting for one-off items registered in the year-ago reference period (one-off gain from sale of subsidiary Vivotecnia Research S.L.: EURO.6m), EBIT losses even narrowed to EUR-2.7m.
- ⇒ The development of the cash burn rate was encouraging with EURO.4m per month, which was below our average estimate for 2008 (EURO.6m per month). At the end of H1, the company's liquid funds amounted to EUR5.6m (December 31, 2007: 8.6).
- ⇒ In our opinion, the greatest operational success that the company achieved in the past quarter was enrollment of the first patient in its clinical trial of the cancer drug MGN1703 (DNA immunomodulator).
- ⇒ We assume that this year's important news will include reception of milestone payments (authorisation of cell-based gene therapy in China, completion of laboratory tests on leishmaniasis vaccine for animals) and the authorities' decision regarding the company's application (filed in Q3 2007) for EU subsidies for the development of a human vaccine against leishmaniasis.
- ⇒ Since the company's results corresponded to our expectations we reaffirm our forecasts. Raising our price target slightly (reason: adjustment of liquidity position, later discount date) to EUR13.60 (before: 13.20), we reaffirm our Buy recommendation.

AP	FY	Sales	EBIT	EBT	EAT	EPS
IFRS	2006	5.227	417	617	611	0,07
IFRS	2007	150	-6.290	-5.986	-5.986	-0,65
IFRS	2008E	1.520	-7.976	-7.816	-7.820	-0,84
IFRS	2009E	10.660	-8.279	-8.329	-8.333	-0,89
IFRS	2010E	12.122	-14.213	-14.313	-14.317	-1,54

CAGR 2006 - 2010E 23,4% - - -

Figures in EURk except EpS, hist. PERs based on averaged share prices

MOLOGEN AG 4)**Recommendation: Buy****before:**

as of

Price target (in EUR) (6 months)	13,60
Share price(Xetra) (in EUR)	6,95
08/18/08 4:23 PM	
Share price potential	95,68%

Company data

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

Data shares

Shares (m)	9,378
Freefloat	57,4%
Market cap. (EURm)	65,2
∅ Trading Volume	10.901
52W High 08/08/07	EUR8,39
52W Low 01/21/08	EUR2,35
Beta	1,5
Volatility (60 days)	34,12

Multiples

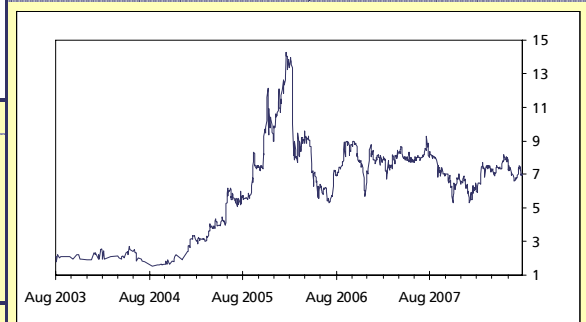
	EV/Sales	EV/EBIT	P/E ratio	Dividend yield
2006	13,0	162,8	115,5	0,0%
2007	350,2	neg.	neg.	0,0%
2008E	39,2	neg.	neg.	0,0%
2009E	5,6	neg.	neg.	0,0%
2010E	4,9	neg.	neg.	0,0%

Performance (in %)

	1 month	3 months	6 months	12 months
absolut	3,0	-6,7	15,8	-13,1
related to:				
DAX	2,2	4,8	26,1	-0,4
CDAX	2,2	4,8	26,1	-0,4

Index Weighting

CDAX	0,005%
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**Author: B. Wolber (analyst)**

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Company profile

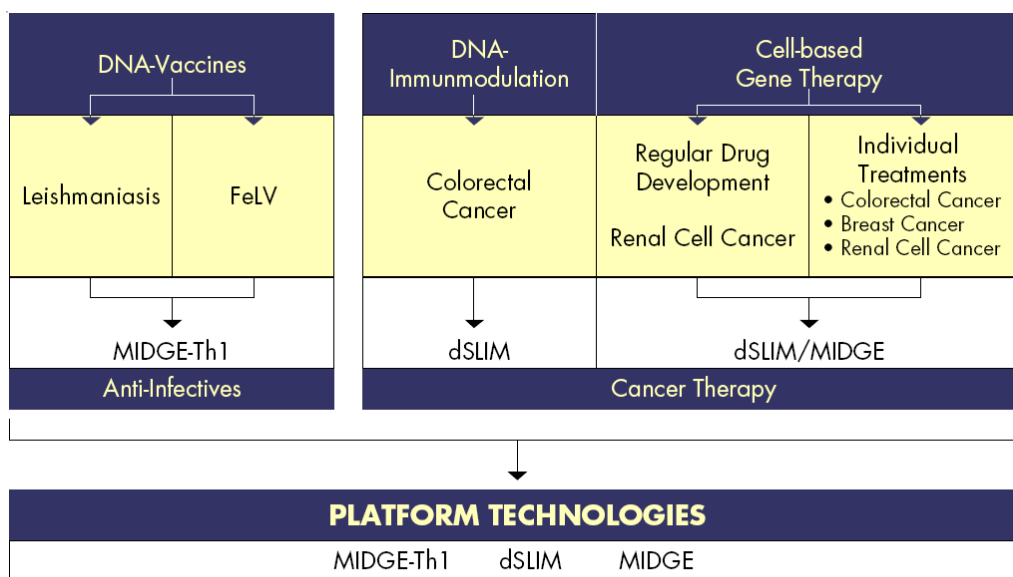
Development of novel products to treat cancer and infectives

MOLOGEN is a Berlin-based biotechnology company specialising in the treatment of diseases previously untreatable or insufficiently treatable of the indication areas cancer and infectives (animal and human being). In particular, MOLOGEN develops DNA-based vaccines and therapeutics aimed at prophylaxis and treatment. The therapies are based on two patented technologies developed by MOLOGEN itself: MIDGE (Minimalistic Immunologically Defined Gene Expression) and dSLIM (double Stem Loop Immuno Modulator).

Both technologies have in common that they make use of DNA structures (desoxyribosenucleic acid, which contains genetic information of all creatures), which are used as a drug in the therapy. MIDGE works as gene transfer, which differs from other vectors (viral vector, plasmid vectors, amongst others) due to its small size and a very high specificity of genetic information and which shows a very high safety and efficacy as was proved by studies. In the Anti-Infectives segment, MIDGE is a basis for a DNA vaccine (MIDGE-TH1), producing a specific cellular and humoral immune reaction against viruses, bacteria or parasites and destroying those. dSLIM is a DNA-based immune modifier and TLR9 agonist developed by MOLOGEN which activates the immune system and thus causes a natural defence reaction to cancer cells. The use of dSLIM and MIDGE takes place individually or in a combined way depending on the field of therapy.

Platform technologies

Currently, 40 people are employed in the group, 28 of them in Research & Development, 8 in administration as well as four apprentices and temporary personnel.



Source: MOLOGEN AG

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Business development in Q2 2008 (June 30)

Results in line with our forecasts

The company's results for H1 2008 were in line with our forecasts. With a reported EURO.1m (0.1), the sales development was flat in year-on-year comparison as we had anticipated. The operating costs reflect the high intensity of MOLOGEN's R&D efforts in the further development of its clinical and preclinical products. The company recorded EBIT of EUR-3.3m (-2.9). After adjusting for one-off items registered in the year-ago reference period (one-off gain from sale of subsidiary Vivotecnia Research S.L.: EURO.6m), EBIT losses even narrowed to EUR-2.7m. Including financial and tax results, MOLOGEN posted a net deficit of EUR-3.2m (-2.7).

Cash burn rate lower than expected in H1

The development of the cash burn rate was encouraging with EURO.4m per month, which was below our average estimate for 2008 (EURO.6m per month). At the end of H1, the company's liquid funds amounted to EUR5.6m (December 31, 2007: 8.6).

First patient receives treatment with MGN1703

In our opinion, the greatest operational success that the company achieved in the past quarter was the enrollment of the first patient in its clinical trial of the cancer drug MGN1703 (DNA immunomodulator). In the course of the trial, the company investigates safety, tolerability and immunogenicity of MGN1703. Up to now, three patients have received treatment as scheduled. Since further patients have already been recruited, the company is optimistic that it will be able to provide treatment to a total of 20 patients during Phase I as planned. MOLOGEN expects to conclude this Phase I clinical trial already at the end of 2008.

Forecasts and outlook

Reaffirming our forecasts

Since the company's results corresponded to our expectations we reaffirm our forecasts. Our sales forecast for 2008 of EUR1.5m is largely accounted for by presumed milestone payments in connection with the company's cell-based gene therapy (authorisation for treatment in China) and the leishmaniasis drug (successful completion of laboratory tests). Furthermore, we expect the authorities to make a decision regarding the company's application (filed in Q3 2007) for EU subsidies for the development of a human vaccine against leishmaniasis in the current quarter. In our view, important upcoming events are the scheduled completion of the clinical trial and subsequent evaluation of the Phase I clinical trial of MGN1703. We expect the first results of the trial to be published in early 2009. After that, the company plans to conduct a Phase IIa clinical trial, which is expected to produce the first efficacy data, and to apply for and conduct further Phase II trials.

Important events in 2008E
...

... and 2009E

MOLOGEN AG					
Estimates of selected profit & loss account figures					
Unit:	EUR 1,000	2007	2007	2008E	2009E
End of fiscal year:	Dec 31	reported	estimated	estimated	estimated
Reporting standard:	IFRS				
Revenue		150	160	1.520	10.660
yoy in %		-97%	-97%	913%	601%
EBIT		-6.290	-5.647	-7.976	-8.279
in % of revenues		-	-	neg.	neg.
Net profit/loss for the year		-5.986	-5.476	-7.820	-8.333
in % of revenues		-	-	neg.	neg.
EPS		-0,65	-0,59	-0,84	-0,89

Source: Independent Research; MOLOGEN AG

Valuation

Model description

We have established a DCF model in our valuation of MOLOGEN AG. Within the framework of this model we have applied a two-stage valuation. Stage I covers our detailed forecasts for the profit and loss account until 2017. Our forecast for stage II (after 2017) is conservative in that we do not assume any further growth of the free cash flow (FCF). Apart from the sales and profit contributions generated by the dSLIM technology, the DCF model also includes royalties from the licensing out of the leishmaniasis vaccine (veterinary) and our estimate for proceeds from cell-based gene therapy treatment (premise: treatment permission in China). Our model is based on the assumption that MOLOGEN will out-license all 4 dSLIM-indications (CRC, NSCLC, BC and RCC) after Phase II. We estimate the up-front payment at EUR10m, the milestone-payments for Phase III at EUR5m and for approval at EUR15m respectively and the royalty rate at 10% (exception dSLIM CRC: 12.5%). We did not take any other possible licence deals into account for our valuation given the great uncertainty regarding the actual realisation of such deals.

Model parameters

We are sticking by the model parameters used in our initial valuation. We assume a risk-free interest rate of 4.5%. The risk premium on equity is 10.0% and 8.0% on outside capital. We have also assumed a beta of 1.5. With respect to the long-term balance sheet structure we assume an equity rate of 70%. Given these model parameters, the WACC (Weighted Average Cost of Capital) is 17.5%.

New fair value: EUR13.64 (before: 13.16)

Based on the assumptions mentioned above, the company's equity has a market value of EUR127.1m (before: 122.6). With 9.317m shares, this corresponds to a new fair value of EUR13.64 (before: 13.16) per share. The change from our last calculated fair value results on the one hand from the reduction in liquid funds (EUR-0.10 per share) and, on the other hand, from the proceeding of the discount period (+ EURO.58 per share). Consequently, we raise our price target to EUR13.60 (before: 13.20).

DCF model MOLOGEN AG										
in EURm	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Sales	1,5	10,7	12,1	27,9	35,8	62,8	101,0	103,9	137,2	146,2
Sales growth	10%	601%	14%	130%	28%	75%	61%	3%	32%	7%
EBIT margin	neg.	neg.	neg.	21,1%	56,4%	66,1%	72,0%	71,0%	73,2%	72,8%
EBIT	-8,0	-8,3	-14,2	5,9	20,2	41,5	72,7	73,8	100,5	106,4
- Income tax	0,0	0,0	0,0	0,0	-3,2	-8,3	-21,8	-22,1	-30,1	-31,9
+ Depreciation	0,5	0,6	0,6	0,6	0,6	0,7	0,7	0,7	0,8	0,8
+/- Change in long-term provisions	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
+/- Other	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Operating cash flow	-7,4	-7,7	-13,6	6,5	17,6	33,9	51,6	52,4	71,1	75,3
-/+ Change in working capital	-1,0	-1,0	-1,0	-1,2	-1,1	-1,9	-3,0	-3,1	-4,1	-4,4
-/+ Net capital expenditure	-0,8	-0,8	-1,0	-1,0	-1,3	-2,2	-3,5	-3,6	-4,8	-5,1
Free cash flow	-9,2	-9,5	-15,6	4,3	15,3	29,8	45,1	45,6	62,2	65,8
Present values	-8,6	-7,5	-10,3	2,4	7,1	11,6	14,7	12,5	14,3	12,7
Sum of present values	49,0									
Terminal value	72,5									
									in % of total value:	60%
Value of operative business (EURm)	121,5									
+ Excess cash (EURm)	5,6									
- Financial debt (EURm)	0,0									
Fair value of equity (EURm)	127,1									
Number of shares (m)	9,317									
Fair value per share in EUR	13,64									

Model parameters / Entity DCF model:			
Long-term capital structure ->	Equity:	70%	Financial debt: 30%
Risk free rate of return: 4,5%	Beta:	1,5	Risk premium debt: 8,0%
	Risk premium:	10,0%	Tax shield: 0%
	Cost of equity:	19,7%	Cost of debt: 12,5%
Growth rate FCF: 0,0%	WACC :	17,5%	Date: 08/18/08

Source: Independent Research

Sensitivity analysis

In order to illustrate how the equity value per share responds to changes in the growth rate of the FCF in stage II and changes of the WACC, we have supplemented the DCF model by a sensitivity analysis.

Sensitivity analysis (in EUR)				
		discount rate		
		17,0%	17,5%	18,0%
growth	0,0%	14,52	13,64	12,83
	0,5%	14,82	13,91	13,07
	1,0%	15,14	14,20	13,33
	1,5%	15,47	14,50	13,60

Source: Independent Research

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MOLOGEN AG												
Profit and loss account												
Unit: EUR1,000												
End of fiscal year: Dec 31												
Reporting standard: IFRS												
	2006	2007	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Revenue	5.227	150	1.520	10.660	12.122	27.906	35.797	62.816	101.050	103.922	137.204	146.216
yoyin %	57%	-97%	93%	60%	14%	130%	28%	75%	6%	3%	32%	7%
Others (e.g. cell-based gene therapy)	5.227	150	1.320	560	1.280	1.408	1.549	1.704	1.874	2.061	2.268	2.494
MGN1703/dSLIM CRC	0	0	0	10.000	0	5.000	26.978	24.099	36.366	48.779	61.339	49.366
MGN1703/dSLIM NSCLC	0	0	0	0	10.000	0	5.000	23.956	18.019	27.191	36.472	45.864
MGN1703/dSLIM BC	0	0	0	0	0	10.000	0	5.000	24.048	18.204	27.470	36.846
MGN1703/dSLIM RCC	0	0	0	0	0	10.000	0	5.000	16.883	3.789	5.717	7.669
Leishmaniasis (vet)	0	0	200	100	842	1.498	2.270	3.057	3.860	3.898	3.937	3.977
Other operating income	465	737	200	200	200	200	200	200	200	200	200	200
Increase/decrease in stocks finished products	80	0	100	100	100	100	100	100	100	100	100	100
Cost of Goods Sold	-667	-30	-56	-175	-384	-422	-465	-511	-562	-618	-680	-748
Others (e.g. cell-based gene therapy)	-667	-30	-56	-175	-384	-422	-465	-511	-562	-618	-680	-748
MGN1703/dSLIM CRC	0	0	0	0	0	0	0	0	0	0	0	0
MGN1703/dSLIM NSCLC	0	0	0	0	0	0	0	0	0	0	0	0
MGN1703/dSLIM BC	0	0	0	0	0	0	0	0	0	0	0	0
MGN1703/dSLIM RCC	0	0	0	0	0	0	0	0	0	0	0	0
Leishmaniasis (vet)	0	0	0	0	0	0	0	0	0	0	0	0
Gross profit	5.105	857	1.764	10.785	12.038	27.784	35.632	62.605	100.788	103.604	136.823	145.768
Research & Development	0	-1.567	-3.463	-11.995	-18.355	-12.983	-5.370	-9.422	-15.157	-15.588	-20.581	-21.932
Others (e.g. cell-based gene therapy)	0	-150	-650	-1.500	-2.500	-2.500	-5.370	-9.422	-15.157	-15.588	-20.581	-21.932
MGN1703/dSLIM CRC	0	-1.420	-2.663	-5.460	0	0	0	0	0	0	0	0
MGN1703/dSLIM NSCLC	0	-50	-50	-4.935	-5.460	0	0	0	0	0	0	0
MGN1703/dSLIM BC	0	-50	-50	-50	-5.985	-6.510	0	0	0	0	0	0
MGN1703/dSLIM RCC	0	-50	-50	-50	-4.410	-3.973	0	0	0	0	0	0
Leishmaniasis (vet)	0	0	0	0	0	0	0	0	0	0	0	0
General & Administrative	-4.688	-5.580	-6.277	-7.069	-7.895	-8.922	-10.088	-11.676	-12.903	-14.262	-15.767	-17.435
Salaries	-2.339	-2.810	-3.161	-3.556	-4.001	-4.601	-5.291	-6.350	-6.984	-7.683	-8.451	-9.296
Amortization	-486	-536	-547	-558	-586	-615	-646	-678	-712	-747	-785	-824
Other operating expenses	-1.863	-2.234	-2.569	-2.954	-3.309	-3.706	-4.151	-4.649	-5.207	-5.832	-6.531	-7.315
Sales & Marketing	0	0	0	0	0	0	0	0	0	0	0	0
EBIT	417	-6.290	-7.976	-8.279	-14.213	5.880	20.175	41.506	72.727	73.754	100.476	106.400
in % of revenues	8,0%	neg.	neg.	neg.	neg.	21%	56,4%	66,1%	72,0%	71,0%	73,2%	72,8%
Financial result	200	304	160	-50	-100	-100	-100	-100	-100	-100	-100	-100
EBT (and minority interests)	617	-5.986	-7.816	-8.329	-14.313	5.780	20.075	41.406	72.627	73.654	100.376	106.300
in % of revenues	11,8%	neg.	neg.	neg.	neg.	20,7%	56,1%	65,9%	71,9%	70,9%	73,2%	72,7%
Income taxes	-4	0	-4	-4	-4	-4	-3.228	-8.301	-21.818	-22.126	-30.143	-31.920
in % of EBT	-1%	0%	0%	0%	0%	0%	-16%	-20%	-30%	-30%	-30%	-30%
Earnings before minority interests	613	-5.986	-7.820	-8.333	-14.317	5.776	16.847	33.105	50.809	51.528	70.233	74.380
in % of revenues	11,7%	neg.	neg.	neg.	neg.	20,7%	47,1%	52,7%	50,3%	49,6%	51,2%	50,9%
Minority interests	-2	0	0	0	0	0	0	0	0	0	0	0
Change of the accounting method	0	0	0	0	0	0	0	0	0	0	0	0
Net profit/loss for the year	611	-5.986	-7.820	-8.333	-14.317	5.776	16.847	33.105	50.809	51.528	70.233	74.380
in % of revenues	11,7%	neg.	neg.	neg.	neg.	20,7%	47,1%	52,7%	50,3%	49,6%	51,2%	50,9%
Weighted average number of shares (in 1,000)	8.402	9.163	9.317	9.317	9.317	9.317	9.317	9.317	9.317	9.317	9.317	9.317
EPS	0,07	-0,65	-0,84	-0,89	-1,54	0,62	1,81	3,55	5,45	5,53	7,54	7,98

Source: Independent Research, MOLOGEN AG

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Disclaimer

Recommendation shares - Single Issuer -:

Buy:	According to our assessment, the stock should register an absolute profit of at least 15% within a 6-month period.
Accumulate:	According to our assessment, the stock should register an absolute profit between 0% and 15% within a 6-month period.
Reduce:	According to our assessment, the stock should register an absolute loss between 0% and 15% within a 6-month period.
Sell:	According to our assessment, the stock should register an absolute loss of at least 15% within a 6-month period.

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Compulsory information required under § 34b of the German Securities Trading Law (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. Börsen-Zeitung, Handelsblatt, FAZ, FTD, Wall Street Journal, Financial Times etc.), specialised journals, published statistics, rating agencies, and publications of covered companies (company sources: annual and quarterly reports, current company presentations as well as discussions with the management).

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

Summary of the evaluation 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 capitalised value of the issuers is calculated which shows the sum of the discounted company results, i.e. the current value of the issuer's future net distributions. The capitalised value is therefore determined with reference to the anticipated future company results and the capitalisation yield applied. Under the Peer Group Analysis Method issuers quoted on the Stock Exchange are valued with reference to the comparison of ratio indices (e.g. price earnings ratio, price to book ratio, enterprise value / sales, enterprise value / EBITDA, enterprise value / EBIT). The comparability of the ratio indices is determined above all by business activity and commercial prospects.

Technical analyses:

Technical analyses are based on historic share price and sales developments which are analysed by mathematical-statistical tools (chart techniques, indicator technology, the Elliott wave theory, sentiment observations as well as relative strength approaches) and on forecasts of future developments.

Sensitivity of the evaluation parameters:

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

Regardless of the evaluation method applied, there exists a very real risk that the price target may not be reached in the anticipated period of time. These risks include unforeseen changes in competitive pressure or in the 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 standards. Changes in tax law, in currency exchange rates and, in certain industries, in regulations are further factors which can influence evaluations. This discussion of evaluation methods and risk factors makes no claim to be exhaustive.

Timing conditions of planned updates:

Analyses of shares:

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As of: - 08/19/2008 -

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