



Independent Research

Unabhängige Finanzmarktanalyse GmbH

Research Note

MOLOGEN AG

**Positive interim results of
Phase Ib clinical trial for MGN1703**

09/22/2009

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Interim results for Phase Ib clinical trial**Good tolerability with higher dose****MOLOGEN AG 4)****Recommendation: Buy****before:**

as of

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- ⇒ On September 18, MOLOGEN published interim results of a Phase Ib trial of its important MGN1703 drug, a vaccine for colorectal cancer (CRC). In our view, the results are promising. No significant side effects were found in the three patients receiving single-dose treatment with the increased dose of 60 mg of MGN1703. In our opinion, MOLOGEN has thus made good progress towards achieving the primary end point of the Phase Ib clinical trial (proof of safety and tolerability). The first interim results, which were published in mid-May, indicated a good safety and tolerability profile with patients receiving both single-dose and multiple-dose treatment with doses of up to 30 mg of MGN1703.
- ⇒ In the week starting September 21, the three patients currently receiving treatment are transferred to the first six-week therapy, in the course of which they will receive multiple-dose treatment with the increased dose of 60 mg of MGN1703. The therapy is to be concluded at the end of October.
- ⇒ In connection with publication of the final results of the Phase Ib trial in Q4 2009, we will pay particular attention to the question whether or not MOLOGEN has achieved the primary end point (tolerability and safety). Furthermore, it will be interesting to see if there are indications of efficacy of MGN1703 also in the patients receiving treatment with the increased dose. A stable disease was already observed in 40% of the patients receiving the lower dose of up to 30 mg. In our view, new indications of efficacy mean that there is a higher probability that the desired proof of concept will be achieved in the Phase II trial. Furthermore, good study results ought to increase awareness among potential licensees for MGN1703.

Price target (in EUR) (6 months)**13.50**

Share price(Xetra) (in EUR)

6.95

09/21/09 5:25 PM

Share price potential

94.24%

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)

10.143

Freefloat

58.00%

Market cap. (EURm)

70.5

∅ Trading Volume

5,752

52W High 06/29/09

EUR7.98

52W Low 11/14/08

EUR4.03

Beta

1.5

Volatility (60 days)

35.62

Multiples

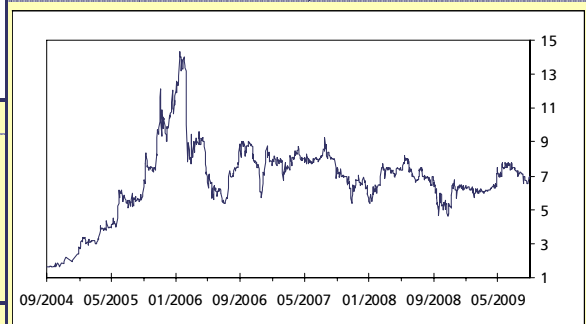
	EV/Sales	EV/EBIT	P/E ratio	Dividend yield
2006	15.9	300.4	203.5	0.0%
2007	350.2	neg.	neg.	0.0%
2008	306.5	neg.	neg.	0.0%
2009E	178.8	neg.	neg.	0.0%
2010E	536.3	neg.	neg.	0.0%

Performance (in %)

	1m	3m	6m	12m
absolut	-1.8	-8.6	12.1	3.0
related to:				
DAX	-6.3	-25.0	-20.3	9.9
Prime Pharma	-9.0	-15.5	-16.1	14.6

Index Weighting

CDAX	0.007%
Prime Pharma	0.163%

**Author: S. Röhle (analyst)**

AP	FY	Sales	EBIT	EBT	EAT	EPS
IFRS	2006	4,258	226	355	353	0.04
IFRS	2007	150	-6,775	-6,471	-6,471	-0.71
IFRS	2008	210	-6,303	-6,091	-6,091	-0.65
IFRS	2009E	360	-6,264	-6,264	-6,264	-0.63
IFRS	2010E	120	-10,210	-10,210	-10,210	-1.01
CAGR 2006 - 2010E		-59.0%	-	-	-	-

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

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

- ⇒ Although the MOLOGEN share increased (+1.9%) on September 18 following the news, it has declined 3.3% since our last report (August 20, 2009) in spite of the fact that the company announced in the meantime that it had been granted an important patent on its cell-based gene therapy in the US.
- ⇒ In our opinion, the share price does not yet reflect the company's anticipated good results of the Phase Ib trial of MGN1703 and its improved financial situation (e.g. reduced costs of clinical trials, capital increase in March, proceeds from exercise of stock options). The share price might be boosted by publication of the final results of the MGN1703 trial in Q4 2009. With an unchanged price target of EUR13.50, we reaffirm our Buy recommendation.

DCF model MOLOGEN AG										
in EURm	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
Sales	0.36	0.12	17.36	16.62	24.89	45.15	68.11	87.60	92.41	120.05
Sales growth	71.4%	-66.7%	14367.1%	-4.3%	49.8%	81.4%	50.9%	28.6%	5.5%	29.9%
EBIT margin	neg.	neg.	44.2%	52.9%	56.1%	69.1%	73.1%	74.6%	73.8%	75.3%
EBIT	-6.26	-10.21	7.68	8.78	13.96	31.21	49.80	65.32	68.21	90.35
- Income tax	0.00	0.00	-0.77	-1.41	-2.79	-9.36	-14.94	-19.59	-20.46	-27.11
+ Depreciation	0.52	0.53	0.54	0.55	0.58	0.61	0.64	0.67	0.70	0.74
+/- 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	0.00	0.63	0.78	0.98	1.22	1.53	1.91	2.38	2.98	3.73
Operating cash flow	-5.75	-9.06	8.23	8.91	12.96	23.98	37.40	48.77	51.43	67.71
-/+ Change in working capital	-0.01	0.00	-0.52	-0.50	-0.75	-1.35	-2.04	-2.63	-2.77	-3.60
-/+ Net capital expenditure	-0.10	-0.15	-0.20	-0.25	-0.30	-0.42	-0.53	-0.61	-0.62	-0.71
Free cash flow	-5.86	-9.21	7.51	8.16	11.92	22.20	34.83	45.54	48.04	63.39
Present values	-5.59	-7.40	5.08	4.65	5.72	8.97	11.85	13.04	11.58	12.87
Sum of present values	60.77									
Terminal value	74.89									
										in % of total value: 55%
Value of operative business (EURm)	135.66									
+ Excess cash (EURm)	6.14									
- Financial debt (EURm)	0.00									
Fair value of equity (EURm)	141.79									
Number of shares (m)	10.143									
Fair value per share in EUR	13.98									

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: 09/22/09

Source: Independent Research

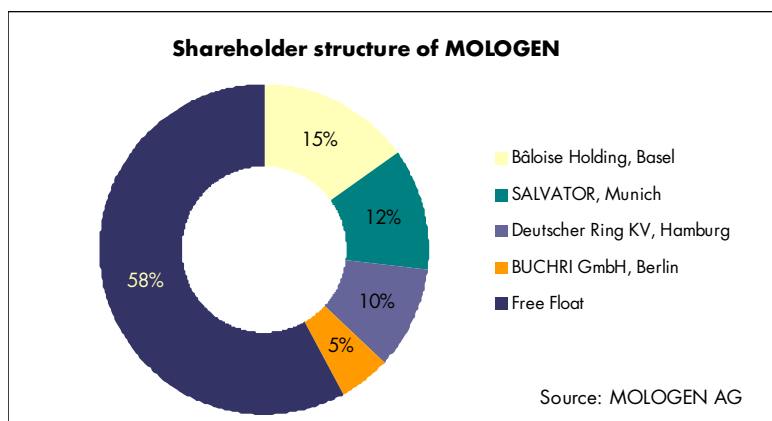
Sensitivity analysis (in EUR)					
		discount rate			
		16.7%	17.2%	17.7%	18.2%
growth	0.0%	14.80	13.98	13.22	12.51
	0.5%	15.09	14.24	13.45	12.72
	1.0%	15.39	14.51	13.70	12.94
	1.5%	15.72	14.81	13.96	13.18

Source: Independent Research

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MOLOGEN AG													
Profit and loss account													
Unit: End of fiscal year: Reporting standard:	EURm Dec 31 IFRS	2007	2008	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
Revenue		0.15	0.21	0.36	0.12	17.36	16.62	24.89	45.15	68.11	87.60	92.41	120.05
yoyn %		-96.5%	40.0%	714%	-66.7%	14367.1%	-4.3%	49.8%	814%	50.9%	28.6%	5.5%	29.9%
Others		0.15	0.21	0.06	0.12	0.13	0.13	0.14	0.15	0.15	0.16	0.17	0.18
MGN1601/dSLIM, MIDGE RCC		-	-	-	-	-	-	15.00	0.00	7.50	27.02	9.09	13.72
MGN1703/dSLIM CRC		-	-	-	-	15.00	0.00	7.50	34.48	24.10	36.37	48.78	61.34
MGN1706/dSLIM PC		-	-	-	-	-	15.00	0.00	7.50	32.54	20.19	30.47	40.87
Leishmaniasis (vet)		-	-	0.30	0.00	2.23	1.48	2.25	3.03	3.82	3.86	3.90	3.94
Other operating income		0.74	0.04	0.55	0.55	0.55	0.17	0.18	0.20	0.22	0.24	0.27	0.29
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		0.89	0.25	0.91	0.67	17.91	16.78	25.07	45.35	68.33	87.84	92.67	120.34
Research & Development		-1.57	-1.75	-1.89	-5.48	-4.71	-2.14	-4.58	-6.77	-10.22	-13.14	-13.86	-18.01
Others		-	-	-0.07	-0.08	-0.09	-0.10	-4.46	-6.77	-10.22	-13.14	-13.86	-18.01
MGN1601/dSLIM, MIDGE RCC		-	-	-0.35	-0.15	-1.94	-1.94	-0.12	-	-	-	-	-
MGN1703/dSLIM CRC		-	-	-1.47	-2.80	-0.23	-	-	-	-	-	-	-
MGN1706/dSLIM PC		-	-	-	-2.45	-2.45	-0.10	-	-	-	-	-	-
Leishmaniasis (vet)		-	-	-	-	-	-	-	-	-	-	-	-
General R&D and Administrative		-6.10	-4.80	-5.28	-5.40	-5.52	-5.86	-6.53	-7.37	-8.31	-9.38	-10.60	-11.98
Salaries		-3.33	-2.08	-2.19	-2.30	-2.41	-2.65	-2.99	-3.43	-3.95	-4.54	-5.22	-6.00
Amortization		-0.54	-0.51	-0.52	-0.53	-0.54	-0.55	-0.58	-0.61	-0.64	-0.67	-0.70	-0.74
Other operating expenses		-2.23	-2.21	-2.58	-2.57	-2.57	-2.65	-2.97	-3.33	-3.73	-4.17	-4.68	-5.24
Operating Expenses		-7.66	-6.55	-7.17	-10.88	-10.23	-8.00	-11.11	-14.14	-18.53	-22.52	-24.46	-29.99
EBIT		-6.78	-6.30	-6.26	-10.21	7.68	8.78	13.96	31.21	49.80	65.32	68.21	90.35
in % of revenues		neg.	neg.	neg.	neg.	44.2%	52.9%	56.1%	69.1%	73.1%	74.6%	73.8%	75.3%
Financial result		0.30	0.21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.05
EBT		-6.47	-6.09	-6.26	-10.21	7.68	8.78	13.96	31.21	49.80	65.32	68.21	90.30
in % of revenues		neg.	neg.	neg.	neg.	44.2%	52.9%	56.1%	69.1%	73.1%	74.6%	73.8%	75.2%
Income taxes		0.00	0.00	0.00	0.00	-0.77	-1.41	-2.79	-9.36	-14.94	-19.59	-20.46	-27.11
in % of EBT		0.0%	0.0%	0.0%	0.0%	-10.0%	-16.0%	-20.0%	-30.0%	-30.0%	-30.0%	-30.0%	-30.0%
EBT (and minority interests)		-6.47	-6.09	-6.26	-10.21	6.91	7.38	11.17	21.85	34.86	45.72	47.75	63.20
in % of revenues		neg.	neg.	neg.	neg.	39.8%	44.4%	44.9%	48.4%	51.2%	52.2%	51.7%	52.6%
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		-6.47	-6.09	-6.26	-10.21	6.91	7.38	11.17	21.85	34.86	45.72	47.75	63.20
in % of revenues		neg.	neg.	neg.	neg.	39.8%	44.4%	44.9%	48.4%	51.2%	52.2%	51.7%	52.6%
Weighted average number of shares (m)		9.163	9.356	9.867	10.143	10.143	10.143	10.143	10.143	10.143	10.143	10.143	10.143
EPS (in Euro)		-0.71	-0.65	-0.63	-1.01	0.68	0.73	1.10	2.15	3.44	4.51	4.71	6.23

Source: Independent Research, MOLOGEN AG



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

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As of: - 09/22/2009 -

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