



Independent Research

Unabhängige Finanzmarktanalyse GmbH

Investment Research

MOLOGEN AG

Figures for Q2 2009

08/20/2009

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Costs for clinical trials fall significantly**Figures for Q2 2009**

- ⇒ According to MOLOGEN, the Phase Ib trial of MGN1703 for colorectal cancer (CRC) is progressing as planned. The first patients have received treatment with the higher dose of 60 mg. Up to now, the trial has still shown no significant side effects. We assume that MOLOGEN, upon publication of the final results of the trial in Q4 2009, will be able to announce that it has achieved the primary end point (proof of safety and tolerability) and - which we feel is particularly important - that there are indications of the effectiveness of the drug.
- ⇒ As expected, costs declined in year-on-year comparison in H1 2009. Net loss narrowed to EUR-2.39m (-3.16). Cash burn was EURO.40m (2008: 0.42) per month.
- ⇒ It was a very positive surprise to us that R&D costs of the Phase II clinical trial of MGN1703 were lowered to EUR4.0m-4.5m (before: 6.5). Operating costs ought to decline to EUR7.17m (before: 7.34) in 2009 and more significantly to EUR10.88m (before: 13.89) in 2010.
- ⇒ According to our calculations, the reduced cost base and the high cash position of (pro forma) EUR6.14m as of June 30, 2009 (December 31, 2008: 3.32) secures MOLOGEN's financing for another three months until mid-May 2010e. This gives MOLOGEN more temporal flexibility for a capital increase, which is still required. We raise our EPS forecast to EUR-0.63 (before: -0.67) for 2009e and EUR-1.01 (before: -1.35) for 2010e.
- ⇒ In our view, the share price (performance since our last commentary on June 13, 2009: -3.5%) does not yet reflect the expected good results of the Phase Ib trial of MGN1703 and the company's improved financial situation. The share price might be stimulated by the publication of the final results of the MGN1703 trial in Q4 2009. Due to the improved cost structure, our DCF model produces an increased price target of EUR13.50 (before: 12.50). We maintain our Buy recommendation.

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

as of

Price target (in EUR) (6 months)	13.50
Share price(Xetra) (in EUR)	7.19
08/19/09 2:55 PM	
Share price potential	87.76%

Company date

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

Data shares

Shares (m)	10.143
Freefloat	61.80%
Market cap. (EURm)	72.9
∅ Trading Volume	4,449
52W High 06/29/09	EUR7.98
52W Low 11/14/08	EUR4.03
Beta	1.5
Volatility (60 days)	36.71

Multiples

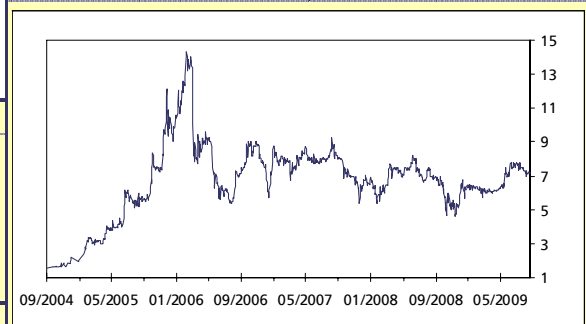
	EV/Sales	EV/EBIT	P/E ratio	Dividend yield
2006	15.9	300.4	203.5	0.0%
2007	350.2	neg.	neg.	0.0%
2008	318.0	neg.	neg.	0.0%
2009E	185.5	neg.	neg.	0.0%
2010E	556.6	neg.	neg.	0.0%

Performance (in %)

	1m	3m	6m	12m
absolut	-5.5	-0.3	15.3	1.1
related to:				
DAX	-10.3	-5.2	-12.6	20.6
Prime Pharma	-4.4	-1.6	15.4	21.8

Index Weighting

CDAX	0.007%
Prime Pharma	0.186%

**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%

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

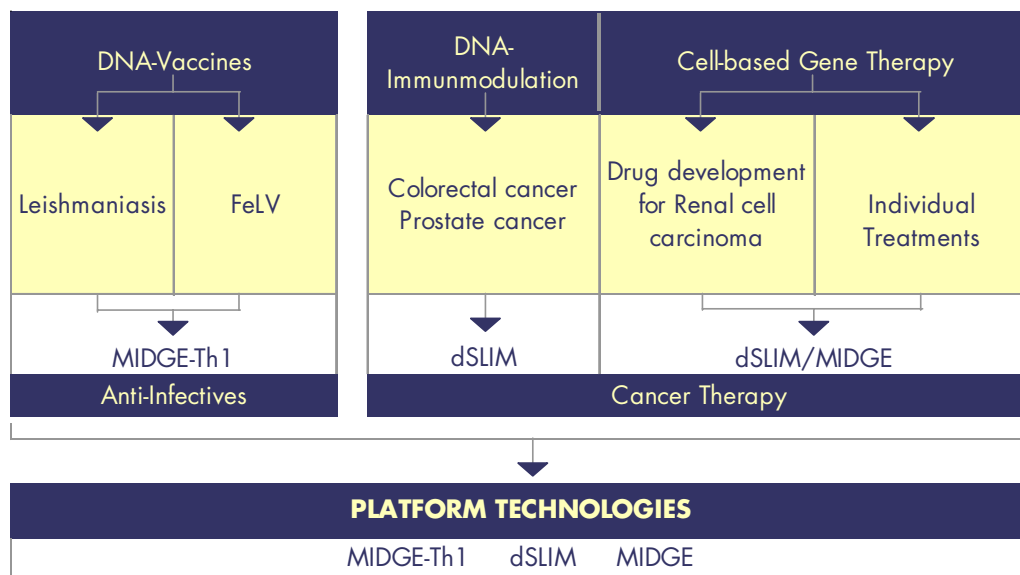
Company profile

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.

Currently, 43 people are employed in the group, 34 of them in Research & Development, 8 in administration as well as 1 as temporary personnel.

Platform technologies



Source: MOLOGEN AG

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

Progress of clinical trials still positive and going as planned

Clinical trial progresses as planned

Current low-dose section of MGN1703 trial almost concluded

According to MOLOGEN, the current section of the ongoing Phase Ib clinical trial of the drug MGN1703 for colorectal cancer (CRC), which consists of multiple-dose treatment (2 x 6 weeks) for 12 patients with low doses of up to 30 mg, is on the verge of being concluded. In mid-May, upon publication of the interim results of the trial, MOLOGEN already announced that the clinical data exceeded the company's target - as well as our expectations. The results showed first indications of the efficacy of MGN1703. In the multiple-dose group, MOLOGEN found a stabilisation of the disease state in five patients with far advanced tumours after the first six-week therapy. These five patients received another six-week therapy, which has been completed with four patients now. The disease state of two out of the four probands showed prolonged stabilisation. Results of the treatment of the fifth patient are still pending. We are pleased that CFO Jörg Petraß told us that the trial had still shown no significant side effects or dose-limiting toxicity yet.

Still no significant side effects

Authorisation to expand Phase Ib trial of MGN1703 to increased dose

MOLOGEN has received authorisation to expand the Phase Ib trial to an increased dose of 60 mg from the supervisory authorities without difficulty. The biotech company will treat at least 6 patients with the increased dose. The objective is to follow up on the initial six-week multiple-dosage treatment with another six-week therapy if the reaction to the first treatment is positive. The first patients already received treatment in the week starting August 10, 2009.

Phase Ib trial with higher dosage has started

Preparation of Phase II trial of MGN1703 on schedule

According to the company, the Phase Ib clinical trial of MGN1703 is on schedule, which we welcome with regard to the previous delays - although these are not unusual for a research-based pharmaceutical company. MOLOGEN expects to be able to announce first interim results for the group of patients receiving treatment with the increased 60 mg dose at the end of September and the final results of the trial in Q4 2009. MOLOGEN is currently preparing the Phase II clinical trial (proof of concept). According to CFO Petraß, the required documents are almost finished. MOLOGEN expects the Phase II trial to be approved before the end of 2009 so that the trial ideally can be initiated this year as planned.

Initiation of Phase II clinical trial still scheduled for end of 2009

Application for Phase I/II trial of MGN1601 to be filed before end of 2009

Preparation of the application for a combined Phase I/II clinical trial of the cell-based gene therapy for renal cell cancer (MGN1601, RCC) is going according to plan as well. The application is to be filed in Q3/Q4 2009. The trial is to be initiated at the beginning of 2010.

Expenses decline as planned in Q2 and H1 2009

Loss narrows significantly

Cost base declines as expected

As expected, MOLOGEN's revenues were low in Q2 2009 with a reported EURO.02m (0.01). Other operating income rose to EURO.10m (0.01), as MOLOGEN received payments from the EU framework programme for research on the development of a drug for leishmaniasis in humans. It is worthwhile noticing that, like in Q1 2009, both costs of materials (-3.9% to EURO.34m) and other operating expenses (-32.7% to EURO.53m) were down. The decline was to be expected as MOLOGEN had incurred higher costs of investigational medicinal products and consultancy services in the year-ago reference period in connection with preparation of the Phase Ib trial of MGN1703. Net loss narrowed to EUR1.48m (-1.77). In H1 2009, MOLOGEN recorded a net income of EUR-2.39m (-3.16). We assume that the cost base will rise markedly in H2 2009 as preparation of the Phase II clinical trial of MGN1703 will enter the final phase and the trial is to be initiated.

MOLOGEN AG				
Selected profit & loss account figures Q2 2009				
	Unit:	EURm	Q2 2008	Q2 2009
End of fiscal year:		Dec 31	reported	reported
Reporting standard:		IFRS		
Revenue			0.01	0.02
yoy in %			-	100%
EBIT			-1.83	-1.51
in % of revenues			neg.	neg.
Net profit/loss for the year			-1.77	-1.48
in % of revenues			neg.	neg.
EPS			-0.19	-0.15

Source: MOLOGEN AG

MOLOGEN AG			
Selected profit & loss account figures H1 2009			
Unit:	EURm	H1 2008	H1 2009
End of fiscal year:	Dec 31	reported	reported
Reporting standard:	IFRS		
Revenue		0.07	0.03
yoy change in %		-	-48%
EBIT		-3.29	-2.43
in % of revenues		neg.	neg.
Net profit/loss for the year		-3.16	-2.39
in % of revenues		neg.	neg.
EPS (in Euro)		-0.34	-0.25

Source: MOLOGEN AG

Liquidity situation is improving

Cash position boosted by capital increase and exercise of stock options

In our opinion, MOLOGEN's liquidity situation is solid. As of June 30, 2009, the company's cash position was EUR4.92m (December 31, 2008: 3.32). As a result of the capital increase in March 2009 (425,000 shares issued at EUR6.50 apiece) with gross proceeds of EUR2.76m and the exercise of employee stock options (issuance of 140,060 shares at EUR6.11 apiece already recognised) with gross proceeds of EURO.86m, MOLOGEN recorded a total inflow of funds of EUR3.62m gross and EUR3.42m net in H1 2009. Furthermore, the company received an initial payment of EURO.60m in the course of participation in the EU research programme for the development of a vaccine for leishmaniasis in humans. MOLOGEN is going to issue a total of 340,000 new shares within the framework of its employee stock option programme in 2009 so that the total number of shares will rise to 10.143m (before: 9.803). Total proceeds amount to EUR2.077m. Receipt of the outstanding EUR1.22m will further strengthen the company's cash position in H2 2009. As of June 30, 2009, MOLOGEN's pro forma liquidity was EUR6.14m.

Pro forma liquidity rises to EUR6.14 (December 31, 2008: 3.32)

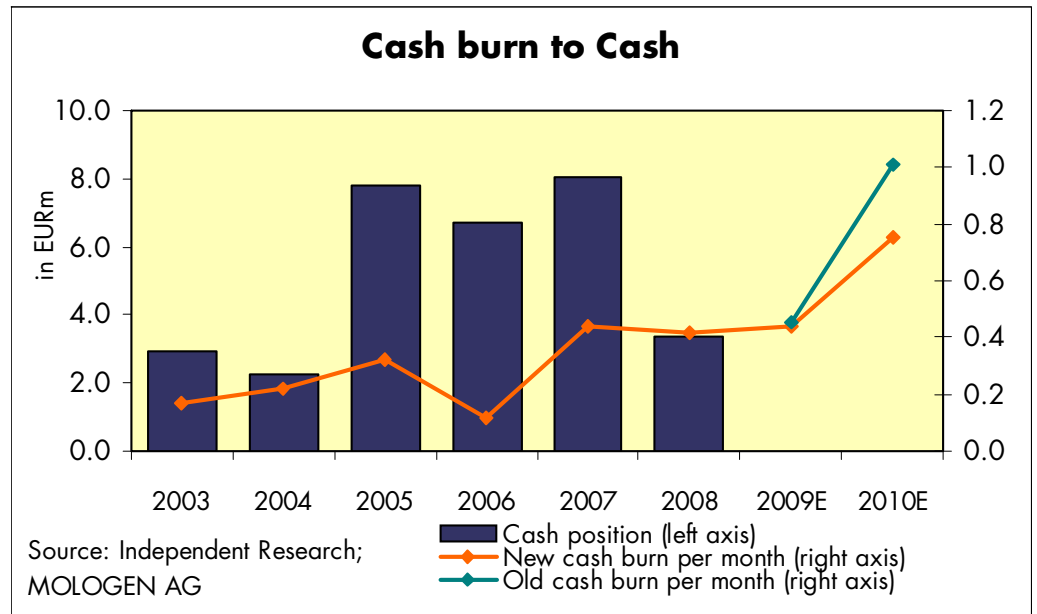
MOLOGEN AG				
Comparison of cash burn in Q1 2009 and H1 2009				
Einheit:	Mio. Euro	after H1 2009 new forecast	after Q1 2009 old forecast	
Cash burn in H1 2009		-2.43	Cash burn in Q1 2009	-1.18
Cash burn in H1 2009 per month		-0.40	Cash burn in Q1 2009 per month	-0.39
Required liquidity in 2009 (new)		-5.25	Required liquidity in 2009 (old)	-5.47
Required liquidity in H2 2009		-2.82	Required liquidity in 9M 2009	-4.29
Cash burn in H2 2009 per month		-0.47	Cash burn in 9M 2009 per month	-0.48
Pro forma liquidity end of H1 2009		6.14	Pro forma liquidity end of Q1 2009	5.35
Remaining liquidity for 2010		3.32	Remaining liquidity for 2010	1.07
Cash burn in 2010 per month		-0.75	Cash burn in 2010 per month	-1.01
Cash coverage in 2010e in months		4.4 mid of May	Cash coverage in 2010e in months	1.1 start of February

Source: Independent Research; MOLOGEN AG

*Costs of Phase II trial down
by more than 30%*

R&D expenses for MGN1703 lower than expected

It was a very positive surprise to us when CFO Jörg Petraß said that R&D expenses for the Phase II clinical trial (proof of concept) of MGN1703 for colorectal cancer (CRC) will be significantly lower than both the company and we had expected. According to MOLOGEN, total expenses for 2009 and 2010 will fall approximately 31% to 38% short of the original budget of EUR6.5m and reach EUR4.0m-4.5m instead. Strengthening of internal personnel resources and negotiation of attractive terms with external service providers led to the decline in costs. MOLOGEN assumes that costs of the Phase II trial of MGN1706 for prostate cancer (PC) to be initiated in 2010 will decrease markedly as well. We expect operating costs to decline to EUR7.17m (before: 7.34) in 2009 and to EUR10.88m (before: 13.89) in 2010.



Coverage of financial resources increases by more than three months (until mid-May 2010)

Cash burn drops significantly - More flexibility for raising capital

Due to the lower cost base, cash burn was EUR2.43m in H1 2009 or, respectively, EURO.40m (2008: 0.42) per month. We presume that cash burn will increase to EUR2.82m in H2 2009 in connection with the preparation and initiation of the Phase II clinical trial of MGN1703. The table on page 7 shows that MOLOGEN has extended the coverage of the financial funds by more than three months until mid-May 2010. This is the result of the increase in liquid funds over end of Q1 2009 level accounted for by the exercise of employee stock options, and the reduced cost base of the Phase II trial. The liquid funds might last even a little longer than that as the Phase II clinical trial of MGN1706 for prostate cancer (PC) will not be initiated right at the beginning of 2010. Therefore, cash burn ought to remain below the annual average in the first months of 2010.

More temporal flexibility for next capital increase

In our opinion, MOLOGEN has become more flexible. The company is able to wait for a positive reaction of the capital market to publication of the results of the Phase Ib clinical trial and initiation of the Phase II clinical trial of MGN1703 in order to benefit from possible more attractive terms for a capital increase. Furthermore, the company no longer has to raise new money during a difficult phase of the capital market until the end of 2009.

Stock option programme might generate new inflow of funds in 2009

We believe that MOLOGEN might receive considerable funds from the stock option programme again in 2009. In the relevant reference year 2007 (options can be exercised only two years after allocation at the earliest), the company issued 259,010 shares at an average weighted exercise price of EUR7.46 per share (total: EUR1.93m). The options can be exercised if the average price of the stock at the stock exchange exceeds the exercise price by 20% ten days ahead of the transaction. Thus, the options cannot be exercised at the current price level.

Capitalisation of development costs is being examined

Capitalisation of development costs might strengthen equity base

High burden might be removed from equity in German GAAP annual accounts

Up to now, MOLOGEN has not capitalised its development costs under either IFRS or German GAAP accounting standards but - as incorporated in our forecasts - recorded them as expenses. The amendment of German GAAP accounting standards according to the Accounting Law Reform Act (BilMoG Bilanzierungsmodernisierungsgesetz) provides that self-created intangible assets may be capitalised as from 2010 (cf. appendix, p. 13). It is currently being examined whether the assets can be capitalised. Full capitalisation of the development costs of MGN1703 and MGN1706 might remove a burden of more than EUR5m from the profit and loss account and thus also from equity in the German GAAP annual accounts for 2010. In our view, this would avoid the risk of having to report a loss of 50% of the capital stock during 2010 as required by German legislation as a result of the high costs of the Phase II trials. The change in accounting would not affect the cash flow statement.

In our opinion, it is uncertain whether capitalisation is possible. It is currently not done under IFRS/IAS standards. According to Klaus Höfer, partner in the Assurance department of PriceWaterhouseCoopers, it will likely be difficult for companies to treat development costs differently in German GAAP and IFRS annual accounts. Therefore, we assume that MOLOGEN would capitalise its development costs under both German GAAP and IFRS/IAS accounting standards.

Forecasts

EPS 2009e: EUR-0.63
(before: -0.67)

Impact of cost cuts still insignificant in 2009e

The loss incurred in H1 2009, which narrowed in year-on-year comparison, was in line with the company's guidance and our forecast. According to CFO Mr Petraß, the cost base will increase in H2 2009e as a result of the intensified preparation and upcoming initiation of the Phase II clinical trial of MGN1703, which corresponds to our expectations as well. The reduction in R&D costs will have only a minor impact in 2009e. Therefore, we have lowered our operating cost forecast only slightly to EUR7.17m (before: 7.34). We now predict a net loss of EUR6.26m (before: -6.48), which would correspond to EPS of EUR-0.63 (before: -0.67). Taking into account the exercise of employee stock options, we now estimate the average number of shares at 9.867m (before: 9.697).

EPS 2010e: EUR-1.01
(before: -1.35)

Expenses should decline markedly in 2010e

For 2010e, we forecast a noticeable decline in operating costs to EUR10.88m (before: 13.89). This is based on two effects, as we predict a reduction in R&D costs of the Phase II trial of MGN1703 to EUR4.5m (before: 6.5) for the 2009-2010 period and lower costs of the Phase II trial of MGN1706 to EUR5.0m (before: 6.5). Our forecast on R&D costs is conservative for both indications, as costs will ideally reach a mere EUR4.0m in both cases, according to MOLOGEN. Accordingly, we now predict a smaller net loss of EUR10.21m (before: -13.27) for 2010e. Based on 10.143m (before: 9.803) shares, this corresponds to EPS of EUR-1.01 (before: -1.35).

MOLOGEN AG					
Estimates of selected profit & loss account figures					
Unit:	EURm				
End of fiscal year:	Dec 31	2009E	2009E	2010E	2010E
Reporting standard:	IFRS	new	old	new	old
Revenue		0.36	0.36	0.12	0.12
yoy change in %		71.4%	71.4%	-66.7%	-66.7%
EBIT		-6.26	-6.43	-10.21	-13.22
in % of revenues		neg.	neg.	neg.	neg.
Net profit/loss for the year		-6.26	-6.48	-10.21	-13.27
in % of revenues		neg.	neg.	neg.	neg.
Average number of shares (m)		9.867	9.697	10.143	9.803
EPS (in Euro)		-0.63	-0.67	-1.01	-1.35

Source: Independent Research

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

Valuation (DCF model)

Two-phase DCF model

We have set up a DCF model for the valuation of MOLOGEN. Within the framework of this model we have applied a two-phase valuation. Phase I covers our detailed forecasts for the profit and loss account until 2018e. Our forecast for Phase II (after 2018e) 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 (CRC, PC) and the cell-based gene therapy for renal cell cancer (MGN1601; admission: EMEA and FDA), the DCF model also includes royalties from the licensing out of the leishmaniasis vaccine (vet).

Licensing out of indications after Phase II

Our model is based on the assumption that MOLOGEN will license out the two dSLIM indications of colorectal cancer (CRC) and prostate cancer (PC) as well as the cell-based gene therapy for renal cell cancer (RCC) after Phase II. We estimate the upfront payments at EUR15.0m and the milestone payments for Phase III at EUR7.5m and, respectively, EUR22.5m upon market approval. For MGN1703 we predict upfront payments for 2011e and milestone payments for 2013e and 2014e. For MGN1706 we expect upfront payments in 2012e and milestone payments in 2014e and 2015e. We presume that the cell-based gene therapy for renal cell cancer (RCC) will be licensed out in 2013e and predict milestone payments for 2015e and 2016e. Furthermore, we estimate royalties at 12.5% for the dSLIM indication of colorectal cancer and at 10.0% for the indication of prostate cancer and the cell-based gene therapy.

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	-5.50	-7.28	5.00	4.57	5.63	8.83	11.66	12.84	11.41	12.67
Sum of present values	59.84									
Terminal value	73.73									
										in % of total value: 55%
Value of operative business (EURm)	133.57									
+ Excess cash (EURm)	6.14									
- Financial debt (EURm)	0.00									
Fair value of equity (EURm)	139.70									
Number of shares (m)	10.143									
Fair value per share in EUR	13.77									

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: 08/20/09

Source: Independent Research

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

WACC: 17.2% (before: 17.5%)

With regard to the decreased interest rates, we assume a risk-free interest rate of 4.0% (before: 4.5%) now. The risk premium is 10.0% on equity and 8.5% (before: 8.0%) on debt capital. Furthermore, we assume a Beta of 1.5. With respect to the long-term target capital structure we presume a relation of 70% in equity versus 30% in debt. These premises lead to a WACC of 17.2% (before: 17.5%).

Fair value is EUR13.77 (before: 12.76) per share

We have calculated a fair market value of EUR139.70m (before: 125.09) for the company's equity. The increase is due to the reduction in costs of clinical trials, the rise in (pro forma) liquidity resulting from the exercise of employee stock options, and the slightly lower WACC. Taking into account the increased number of shares of 10.143m (before: 9.803), we have calculated a fair value of EUR13.77 (before: 12.76) per share.

Sensitivity analysis

In order to illustrate how the fair value per share responds to changes in growth of the free cash flow in Phase II and in the WACC we have made a sensitivity analysis.

		Sensitivity analysis (in EUR)			
		discount rate			
growth		16.7%	17.2%	17.7%	18.2%
	0.0%	14.59	13.77	13.02	12.31
	0.5%	14.87	14.03	13.25	12.52
	1.0%	15.17	14.30	13.49	12.74
	1.5%	15.49	14.59	13.75	12.98

Source: Independent Research

The company's Phase Ib trial of MGN1703 for colorectal cancer (CRC) is progressing according to plan. The first patients have received treatment with the higher dose of 60 mg. The trial has still shown no significant side effects. We assume that MOLOGEN will achieve the primary end point (proof of safety and tolerability). The company still plans to initiate the Phase II clinical trial at the end of 2009.

As expected, costs were lower in H1 2009 than in the year-ago reference period. Net loss narrowed to EUR-2.39m (-3.16). It was a very positive surprise to us that R&D costs for the Phase II clinical trial of MGN1703 were reduced to EUR4.0m-4.5m (before: 6.5). As a result, operating costs ought to decline to EUR7.17m (before: 7.34) in 2009 and more sharply to EUR10.88m (before: 13.89) in 2010. In combination with the capital increase made in March and the exercise of stock options, this should extend the coverage of the company's liquid funds by more than three months until mid-May 2010. This gives MOLOGEN more flexibility for a capital increase, which is still required. We raise our EPS forecast to EUR-0.63 (before: -0.67) for 2009e and EUR-1.01 (before: -1.35) for 2010e.

In our opinion, the share price (performance since our last commentary, June 13, 2009: -3.5%) does not yet reflect the expected good results of the Phase Ib trial of MGN1703 and the company's improved financial situation. We think that the share price could be stimulated by the publication of the final results of the MGN1703 trial in Q4 2009. Our DCF model produces a new price target of EUR13.50 (before: 12.50). We hold on to our Buy recommendation.

Price target: EUR13.50 (before: 12.50); recommendation: Buy

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Capitalisation of R&D expenses

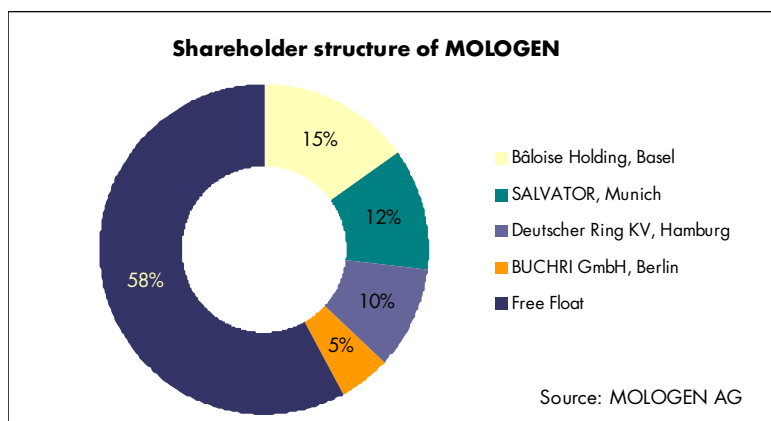
Comparison of new German GAAP (Accounting Law Reform Act BilMoG) and IFRS/IAS

	German GAAP changes (BilMoG)	IFRS/IAS standards
Legislation/standard	- particularly §248 para. 2; §255 para. 2, 2a	- particularly IAS38.52-38.59, IAS38.61-38.63
Content	- capitalisation of self-created intangible assets - capitalisation of development expenses but not of research expenses - voluntary capitalisation - no retroactive capitalisation	- capitalisation of self-created intangible assets - capitalisation of development expenses but not of research expenses - voluntary capitalisation
Definition of development costs	- definition of an asset has to be met: i.e. - commercialisation of the product - proof of economic viability - creation of a real asset has to be very likely - sufficient documentation	- six criteria have to be met at the same time: 1) technical feasibility 2) intention to complete 3) ability for own use or commercialisation 4) proof of economic benefit 5) availability of resources to complete the project 6) reliable measurement of asset value
Other explanations	- first application for financial years after December 31, 2009 - voluntary application in 2009 possible	- none
Comment of Klaus Höfer, partner in the assurance unit of PwC	- capitalisation in accordance with German GAAP will be difficult if there is no capitalisation under IFRS/IAS accounting	- up to now nearly no capitalisation in pharmaceuticals industry due to uncertainty of future benefits and necessity of drug approval

Source: Federal Ministry of Justice; PriceWaterhouseCoopers (PwC), Dr. Langmayr und Partner (auditors, lawyers and tax consultants)

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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Buy:	According to our assessment, the stock should register an absolute profit of at least 15% within a 6-month period.
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Summary of the evaluation principles used:

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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.

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**Independent Research GmbH
Senckenberganlage 10-12
D-60325 Frankfurt
Germany**

Responsible Supervisory Authority
Bundesanstalt für Finanzdienstleistungsaufsicht
Graurheindorfer Straße 108
D-53117 Bonn
and
Lurgiallee 12
D-60439 Frankfurt
Germany



Independent Research

Senckenberganlage 10-12
60325 Frankfurt am Main
Germany

Phone: +49 (69) 971490-0

Fax: +49 (69) 971490-90

E-Mail: info@irffm.de

Internet: www.irffm.de