



**Independent Research**

Unabhängige Finanzmarktanalyse GmbH

## **Investment Research**

# **MOLOGEN AG**

**Results Q3 2009; Phase Ib study of MGN1703  
reaches primary end point**

**11/16/2009**

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**Results Q3 2009****Phase Ib study reaches primary end point**

- ⇒ MOLOGEN has reached the primary end point (tolerability and safety) in its phase Ib study of MGN1703 against colorectal cancer (CRC). The increased dosage of 60 mg is a significant advantage over the competitors' products. The study also produced indications of the effectiveness of MGN1703. The phase II study is to be initiated in Q1 2010.
- ⇒ In our view, chances have increased that MOLOGEN will achieve proof of concept in the phase II study due to the good results of the phase Ib study. The company's R&D activity entails high risks.
- ⇒ Major pharmaceutical companies might become more interested in licensing in the dSLIM technology thanks to the results of the study. CEO Schroff is looking to start licensing out between the end of 2010 and mid-2011 (our forecast: 2011).
- ⇒ By applying for approval of a phase I/II clinical study of MGN1601 against renal cell cancer (RCC), the company has achieved its second major goal for 2009.
- ⇒ The company's net loss of EUR1.23m (-1.47) in Q3 2009 was in line with our expectations. Costs will likely increase from Q4 2009 in connection with the phase II study of MGN1703. According to our calculations, the company's cash position secures financing until mid-May or even longer than that. As several cost pools have been shifted, we revise our EPS forecasts, now predicting EUR-0.56 (before: -0.63) for 2009 and EUR-1.06 (before: -1.01) for 2010.
- ⇒ Up to now, the MOLOGEN share has hardly benefited from the positive results of the study (+1.4% since our September 22, 2009 report). We expect the positive newsflow to continue in the coming months, which might stimulate the share again. Our DCF model produces a slightly increased price target of EUR14.00 (before: 13.50). We hold on to our Buy recommendation.

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

as of

<b>Price target</b> (in EUR) (6 months)	<b>14.00</b>
Share price(Xetra) (in EUR)	7.05
11/13/09 5:36 PM	
Share price potential	98.58%

**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	42.10%
Market cap. (EURm)	71.5
∅ Trading volume	5,440
52W High 06/29/09	EUR7.98
52W Low 11/26/08	EUR4.33
Beta	1.5
Volatility (60 days)	34.13

**Multiples**

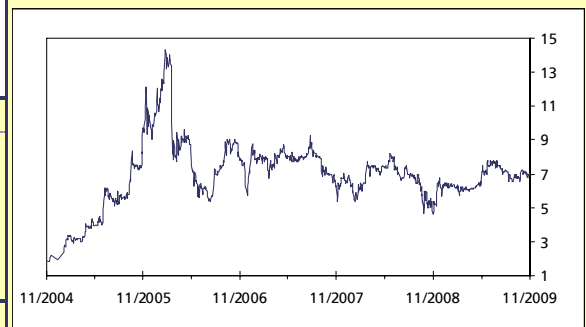
	EV/Sales	EV/EBIT	P/E ratio	Dividend yield
2006	15.9	300.4	203.5	0.0%
2007	352.9	neg.	neg.	0.0%
2008	320.4	neg.	neg.	0.0%
2009E	186.9	neg.	neg.	0.0%
2010E	560.8	neg.	neg.	0.0%

**Performance (in %)**

	1m	3m	6m	12m
absolut	-2.8	-3.4	10.1	47.4
related to:				
DAX	-2.8	-10.7	-9.2	20.9
Prime Pharma	-6.3	-16.6	-6.9	45.4

**Index weighting**

CDAX	0.007%
Prime Pharma	0.157%

**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	-5,511	-5,511	-5,511	-0.56
IFRS	2010E	120	-10,751	-10,751	-10,751	-1.06

CAGR 2006 - 2010E

-59.0%

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Figures in EUR (k) except EPS, hist. PERs based on average 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

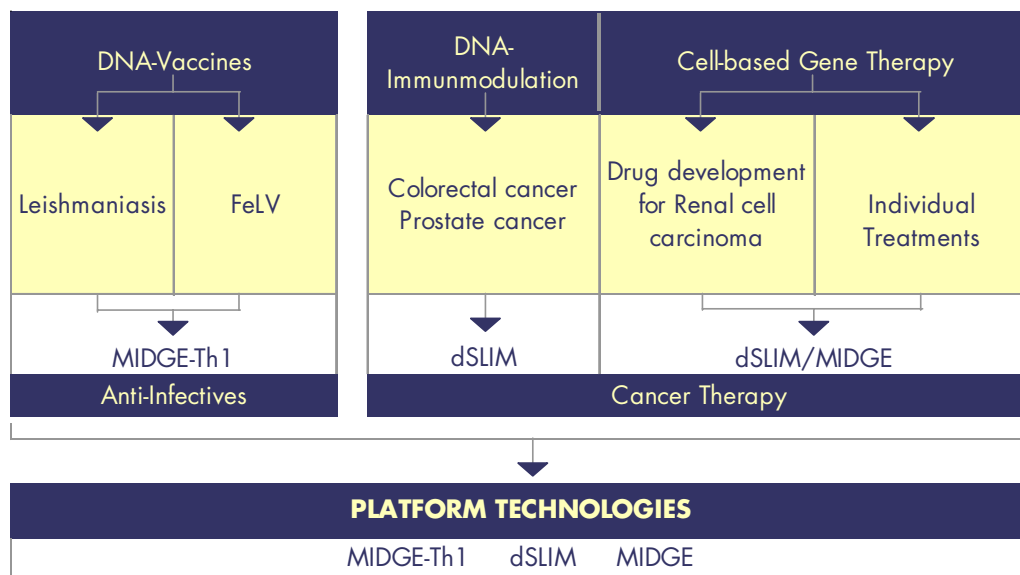
### Company profile

*Development of new drugs to treat cancer and infectious diseases*

MOLOGEN is a Berlin-based biotechnology company specialising in the treatment of diseases previously untreatable or insufficiently treatable of the indication areas cancer and infectious diseases (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 effectiveness 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, 44 people are employed in the group, 34 of them in Research & Development, 8 in administration as well as 2 as temporary personnel.

*Platform technologies*



Source: MOLOGEN AG

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

## **MGN1703 reaches primary end point in phase Ib study**

### **Positive safety profile also with increased dosage**

At the beginning of November, MOLOGEN released the final results of its phase Ib clinical study of MGN1703 against colorectal cancer (CRC). No serious side effects or dose-limiting toxicity (intolerability at a certain dosage) were observed in 2 x 15 patients receiving single-dose treatment and multiple-dose treatment (twice a week) at both the lower dosage of up to 30 mg and the higher dosage of up to 60 mg. Thus, MOLOGEN has proven safety and tolerability of MGN1703 and reached the primary end point in the phase Ib clinical study.

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*No serious side effects observed*

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### **Positive indications of effectiveness at lower dosage**

In the course of the clinical study, MOLOGEN treated 12 patients with multiple-dose treatment and a dosage of up to 30 mg. After an initial six-week therapy the disease state of four patients had stabilised. These patients then received another six-week therapy. After completion of the treatment, two patients were still found to be in a stable condition.

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*Disease state of two patients remains stable*

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Thus, the clinical data exceeded MOLOGEN's expectations as it already provides an indication of the effectiveness of MGN1703. From our point of view, the results are a success for MOLOGEN as the patients have advanced solid tumors. As a rule, there are no treatment options left with the patients. However, the results provide only an indication. The group of patients is small.

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*Indications of effectiveness exceed expectations*

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### **Investigation of drug effectiveness with increased dosage is continuing**

MOLOGEN observed a stable disease state in two out of the three patients who received multiple-dose treatment and the increased dosage of 60 mg in the course of the initial six-week therapy. The second six-week therapy of these two patients has not yet been completed. After completion of the second therapy, it will be seen whether there are additional indications of the effectiveness of MGN1703.

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*Observation phase is continuing with two patients*

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### **Application for approval of phase II study to be made in Q4 2009**

MOLOGEN intends to apply for approval of the phase II clinical study before the end of 2009. The double-blind, placebo-controlled study will include between 120 and 130 patients. It will involve patients suffering from metastasising colorectal cancer whose disease state stabilised after they received standardised chemoimmunotherapy. The objective of the phase II study is to increase progression-free survival significantly through administration of MGN1703 and thus to achieve proof of concept.

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*Double-blind, placebo-controlled phase II study to start in Q1 2010*

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The company expects to be able to initiate the study in Q1 2010. First interim results should be available at the end of 2010. CFO Jörg Petraß pointed out that costs of the study will be between EUR4.0m and EUR4.5m in 2009 and 2010 and thus lower than the originally budgeted EUR6.5m. Should the phase II study produce convincing interim results, the study can be transferred into a phase III study including additional patients.

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*CEO Schroff intends to start licensing out of MGN1703 by mid-2011*

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### **Licensing out might take place earlier**

On the occasion of an investor presentation at the German Equity Forum (November 10, 2009), CEO Matthias Schroff said that several pharmaceutical companies had already shown interest in MOLOGEN's dSLIM technology. He expects licensing out of the technology to start between the end of 2010 and mid-2011. We had already pointed out in earlier reports that positive study results could increase attention among potential investors with regard to a licensing in of MGN1703. Previously, we presumed that licensing out would start in 2011. However, we feel that chances of a sooner licensing out have increased thanks to the positive results of the phase Ib study. Nonetheless, the development and successful marketing of a product is subject to great uncertainty in the biotech industry.

### **Application for approval of clinical study with MGN1601 made**

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*MOLOGEN achieves second major goal for 2009*

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#### **Application for approval of cell-based gene therapy against renal cell cancer**

At the beginning of November, MOLOGEN filed its application for approval of a combined phase I/II clinical study of the cell-based gene therapy against renal cell cancer (MGN1601). The primary objective of the study is proof of safety and tolerability. In addition, MOLOGEN will collect efficacy data.

The study includes 24 patients with advanced renal cell cancer (RCC). The patients will receive treatment over a period of four months. During the first three months, they will receive multiple-dose treatment with MGN1601. This period will be followed by a one-month observation phase. The therapy will be expanded with patients whose safety and efficacy profile is positive.

#### **MGN1601 receives orphan drug designation**

MOLOGEN has been granted orphan drug designation by EMEA for MGN1601, which facilitates execution of the clinical studies and subsequent marketing. Also, costs of the clinical phase I/II study are a mere EURO.5m approximately. First interim results are expected to be available after the initial therapy and observation phase. Based on these data, MOLOGEN plans to apply for approval of a clinical phase II study.

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*Inexpensive study*

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## Cash burn remains stable in Q3 2009

*As expected, costs declined YoY in Q3 2009*

### Final phase of Ib study entails lower costs

As in the preceding quarters, MOLOGEN generated only low revenue in Q3 2009 with a reported EUR0.01m (0.04). Thanks to payments received in the course of the EU framework programme for research on the development of a drug against leishmaniasis in humans, operating profit increased - like in Q1 and Q2 -, reaching EUR0.10m (0.01). Operating expenses declined to EUR1.35m (1.57). R&D expenses totalled EUR0.98m (0.80). Material expenses narrowed to EUR-0.26m (-0.58) because MOLOGEN's demand for investigational medicinal products was higher in the year-ago reference period in connection with preparation of the phase Ib clinical study of MGN1703. Other expenses rose to EUR-0.50m (-0.30), however, which reflects the increase in consultancy services in connection with the forthcoming phase II clinical study of MGN1703. In Q3 2009, EBIT loss and net loss narrowed to EUR-1.24m (-1.52) and EUR-1.23m (-1.47), respectively.

### Solid cash resources

*Pro forma liquidity as at September 30, 2009: EUR4.77m*

As at September 30, 2009, MOLOGEN's net liquid assets were EUR4.21m (December 31, 2008: 3.32; June 30, 2009: 4.92). In 9M 2009, MOLOGEN made net proceeds of EUR4.06m through the March 2009 capital increase (issue of 425,000 shares at EUR6.50 per share; gross issue proceeds: EUR2.76m) and the exercise of employee stock options. In addition, the company received an initial payment of EUR0.60m in the course of the EU framework programme for research on the development of a drug against leishmaniasis in humans. Taking into account outstanding payments of EUR0.56m connected with the employee stock option programme, pro forma liquidity was about EUR4.77m at September 30, 2009 (June 30, 2009: 6.14).

### Liquidity lasts until May 2010 at least

*Q3 2009 sees slight increase in cash burn*

In Q3 2009, cash burn was somewhat higher than in the preceding quarters with a total of EUR1.35m (Q2 2009: 1.25; Q1 2009: 1.18) or, respectively, EUR0.45m (Q2 2009: 0.42; Q1 2009: 0.39) per month. We assume that both the cost base and cash burn will increase markedly in Q4 2009 as preparation of the phase II clinical study of MGN1703 is entering the final stage. This is already reflected in MOLOGEN's inventories, which

<b>MOLOGEN AG</b>				
<b>Selected profit &amp; loss account figures Q3 2009</b>				
	<b>Unit:</b>	EURm	<b>Q3 2008</b>	<b>Q3 2009</b>
<b>End of fiscal year:</b>		Dec 31		
<b>Reporting standard:</b>		IFRS	<b>reported</b>	<b>reported</b>
<b>Revenue</b>			<b>0.04</b>	<b>0.01</b>
yoy change in %			-	-70%
<b>EBIT</b>			<b>-1.52</b>	<b>-1.24</b>
in % of revenues			neg.	neg.
<b>Net profit/loss for the year</b>			<b>-1.47</b>	<b>-1.23</b>
in % of revenues			neg.	neg.
<b>EPS (in EUR)</b>			<b>-0.16</b>	<b>-0.12</b>

Source: MOLOGEN AG

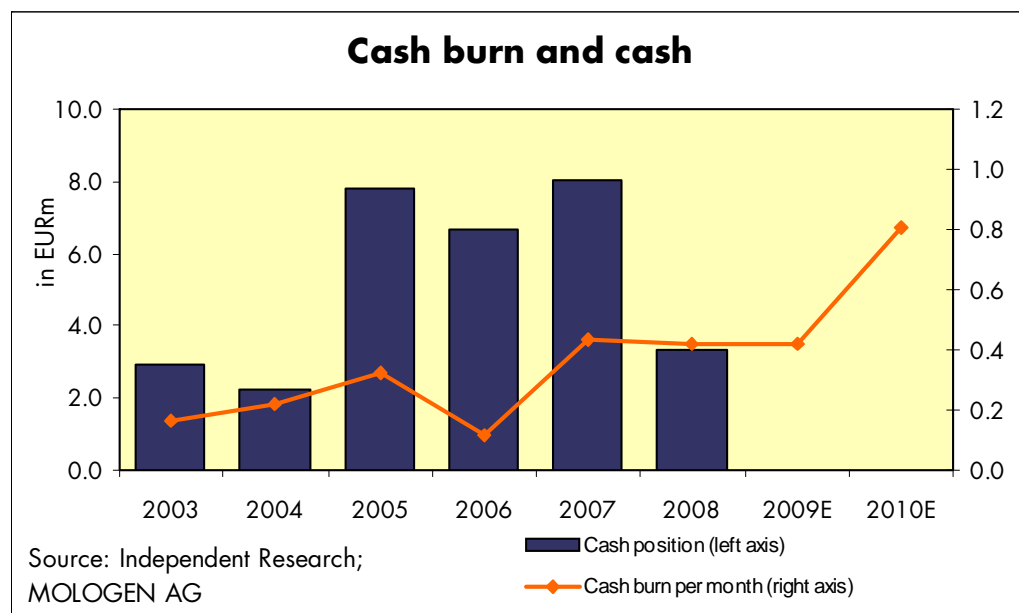
<b>MOLOGEN AG</b>				
<b>Selected profit &amp; loss account figures 9M 2009</b>				
	<b>Unit:</b>	EURm	<b>9M 2008</b>	<b>9M 2009</b>
	<b>End of fiscal year:</b>	Dec 31	reported	reported
	<b>Reporting standard:</b>	IFRS		
<b>Revenue</b>			<b>0.10</b>	<b>0.05</b>
yoy change in %			-	-56%
<b>EBIT</b>			<b>-4.82</b>	<b>-3.67</b>
in % of revenues			neg.	neg.
<b>Net profit/loss for the year</b>			<b>-4.64</b>	<b>-3.63</b>
in % of revenues			neg.	neg.
<b>EPS (in EUR)</b>			<b>-0.50</b>	<b>-0.37</b>

Source: MOLOGEN AG

rose to EURO.46m as at September 30, 2009 (December 31, 2008: 0.02; June 30, 2009: 0.19) as a result of the purchase of investigational medicinal products required for the phase II study.

*Financing secured until mid-May 2010 at least*

Based on our cost estimates, we still proceed from the assumption that MOLOGEN's current cash position secures the company's financing until mid-May 2010. Liquidity might even last a little longer as the phase II clinical study of MGN1706 against prostate cancer (PC) will not start immediately at the beginning of 2010. Therefore, cash burn will probably be below the annual average in the first months of 2010.



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

## Forecasts

*Loss will likely be lower than previously expected in 2009*

### Part of costs shifting to 2010

According to CFO Jörg Petraß, part of the costs of the phase II clinical study of MGN1703 will be incurred only in 2010 instead of 2009 as previously expected. This does not surprise us, as CFO Petraß had pointed out possible shifting earlier. We still estimate total R&D expenses at EUR4.5m, a conservative forecast. For 2009, we now predict operating expenses of EUR6.42m (before: 7.17). Furthermore, we forecast a net loss of EUR5.51m (before: -6.26) or EUR-0.56 (before: -0.63) per share.

*Costs expected to increase somewhat in 2010*

### Cash burn 2010 depends strongly on MGN1706 study

We have increased our 2010 forecast for operating expenses to EUR11.42m (before: 10.88). In accordance with MOLOGEN's planning, we presume that the company will initiate its phase II clinical study of MGN1703 against prostate cancer (PC) before the end of 2010. We have allocated our conservative R&D cost target of EUR5.0m equally to 2010 and 2011. Furthermore, we now predict a net income of EUR-10.75m (before: -10.21) or EUR-1.06 (before: -1.01) per share for 2010.

<b>MOLOGEN AG</b>					
<b>Estimates of selected profit &amp; loss account figures</b>					
<b>Unit:</b>	EURm	<b>2009E</b>	<b>2009E</b>	<b>2010E</b>	<b>2010E</b>
<b>End of fiscal year:</b>	Dec 31	<b>new</b>	<b>old</b>	<b>new</b>	<b>old</b>
<b>Reporting standard:</b>	IFRS				
<b>Revenue</b>		<b>0.36</b>	<b>0.36</b>	<b>0.12</b>	<b>0.12</b>
yoy change in %		71.4%	71.4%	-66.7%	-66.7%
<b>EBIT</b>		<b>-5.51</b>	<b>-6.26</b>	<b>-10.75</b>	<b>-10.21</b>
in % of revenues		neg.	neg.	neg.	neg.
<b>Net profit/loss for the year</b>		<b>-5.51</b>	<b>-6.26</b>	<b>-10.75</b>	<b>-10.21</b>
in % of revenues		neg.	neg.	neg.	neg.
Average number of shares (m)		9.867	9.867	10.143	10.143
<b>EPS (in EUR)</b>		<b>-0.56</b>	<b>-0.63</b>	<b>-1.06</b>	<b>-1.01</b>

Source: Independent Research

## Valuation (DCF model)

### Two-stage 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-stage 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 of 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 the 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 of 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 of 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.	44.9%	53.6%	56.6%	69.4%	73.4%	74.8%	74.0%	75.4%
<b>EBIT</b>	<b>-5.51</b>	<b>-10.75</b>	<b>7.80</b>	<b>8.91</b>	<b>14.09</b>	<b>31.36</b>	<b>49.96</b>	<b>65.49</b>	<b>68.41</b>	<b>90.56</b>
- Income tax	0.00	0.00	-0.78	-1.43	-2.82	-9.41	-14.99	-19.65	-20.52	-27.17
+ Depreciation	0.47	0.48	0.49	0.50	0.52	0.55	0.58	0.61	0.64	0.67
+/- 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
<b>Operating cash flow</b>	<b>-5.04</b>	<b>-9.65</b>	<b>8.29</b>	<b>8.96</b>	<b>13.02</b>	<b>24.03</b>	<b>37.46</b>	<b>48.83</b>	<b>51.50</b>	<b>67.79</b>
-/+ 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
<b>Free cash flow</b>	<b>-5.15</b>	<b>-9.80</b>	<b>7.57</b>	<b>8.21</b>	<b>11.97</b>	<b>22.25</b>	<b>34.88</b>	<b>45.60</b>	<b>48.11</b>	<b>63.47</b>
<b>Present values</b>	<b>-5.04</b>	<b>-8.08</b>	<b>5.25</b>	<b>4.80</b>	<b>5.89</b>	<b>9.22</b>	<b>12.18</b>	<b>13.40</b>	<b>11.91</b>	<b>13.23</b>
Sum of present values	62.75									
Terminal value	76.95									
										in % of total value: 55%
Value of operating business (EURm)	139.70									
+ Excess cash (EURm)	4.21									
- Financial debt (EURm)	0.00									
<b>Fair value of equity (EURm)</b>	<b>143.91</b>									
<b>Number of shares (m)</b>	10.143									
<b>Fair value per share in EUR</b>	<b>14.19</b>									

**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%
<b>Growth rate FCF:</b>	<b>0.0%</b>	<b>WACC :</b>	<b>17.2%</b>	<b>Date:</b>	<b>11/16/09</b>

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

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WACC: 17.2%

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We assume a risk-free interest rate of 4.0%. The risk premium is 10.0% on equity and 8.5% on debt. Furthermore, we assume a beta of 1.5. With respect to the long-term balance sheet structure we presume a relation of 70% in equity versus 30% in debt. These premises lead to a WACC of 17.2%.

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Fair value: EUR 14.19 (before: 13.77) per share

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We have calculated a market value of EUR 143.91 m (before: 139.70) for the company's equity. The increase is largely due to the advancing discounting period. Based on 10.143 m shares in circulation, this corresponds to a fair value of EUR 14.19 (before: 13.77) per share.

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Sensitivity analysis

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In order to illustrate how the enterprise value 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			
		16.7%	17.2%	17.7%	18.2%
Growth	0.0%	15.02	<b>14.19</b>	13.41	12.69
	0.5%	15.31	14.45	13.66	12.91
	1.0%	15.63	14.74	13.91	13.14
	1.5%	15.96	15.04	14.18	13.39

Source: Independent Research

## Conclusion

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Phase Ib study of MGN1703 reaches primary end point

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In our opinion, MOLOGEN has achieved an important success by reaching the primary end point (tolerability and safety) in its phase Ib clinical study of MGN1703 against colorectal cancer (CRC). Even the increased dosage of 2 x 60 mg per week produced hardly any side effects. This is a significant advantage over the competitors' products. At the end of September, MOLOGEN's direct competitor Idera Pharmaceuticals released interim results of its phase Ib study of IMO-2055 against non-small cell lung cancer (NSCLC) and final results of its phase II study of IMO-2055 against renal cell cancer (RCC). So far, IMO-2055 (NSCLC) has had a good safety profile, whereas IMO-2055 (RCC) failed to reach the primary end point. Maximum dosages were 0.48 and, respectively, 0.64 mg per kilogramme and week. With a presumed weight of 65 kg of a patient, the weekly dosage of 31.2 to 41.6 mg is significantly below the 120.0 mg dosage of MGN1703. The study also produced indications of the effectiveness of MGN1703, which was not to be expected in a phase Ib study, according to the company. The phase II study is to be initiated in Q1 2010 as planned. By filing for approval of a combined phase I/II clinical study of MGN1601 against renal cell cancer (RCC), MOLOGEN has achieved its second major goal for 2009.

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Higher dosage is competitive advantage

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Chances of attractive licensing deal increase

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From our point of view, chances have increased that MOLOGEN will achieve proof of concept in the phase II study of MGN1703 due to the good results of the phase Ib study. According to CEO Schroff, several pharmaceutical companies have already shown interest in MOLOGEN's dSLIM technology. Thus, the technology might be licensed out sooner than 2011 (our present assumption), in our opinion. However, the R&D activity of a biotech company bears the risk of failure (as with Idera's IMO-2055 (RCC)).

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

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*Liquidity will last until May 2010 at least*

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We regard MOLOGEN's financial situation as solid. We assume that the company's current cash position secures financing until mid-May 2010. Liquidity might even last a little longer than that as the phase II clinical study of MGN1706 will be initiated only in H2 2010. However, additional financing rounds will be required.

As several cost pools have been shifted from 2009 to 2010, we revise our EPS forecasts, now predicting EUR-0.56 (before: -0.63) for 2009 and EUR-1.06 (before: -1.01) for 2010.

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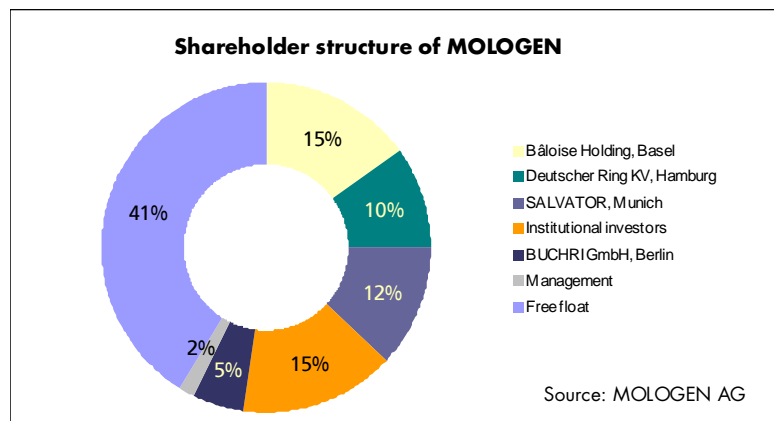
*Price target: EUR14.00 (before: 13.50); recommendation: Buy*

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So far, the MOLOGEN share hardly benefited from the positive study results (+1.4% since our last report, published on September 22, 2009). However, the stock performed much better in the past twelve months (+47.4%). We expect the positive newsflow to continue in the coming months (MGN1703: initiation of phase II study, enrollment of first patients, etc.), which might stimulate the stock again. Our DCF model produces a slightly increased price target of EUR14.00 (before: 13.50). We reaffirm our Buy recommendation.

<b>MOLOGEN AG</b>													
<b>Profit and loss account</b>													
<b>Unit:</b> <b>End of fiscal year:</b> <b>Reporting standard:</b>	EURm Dec 31 IFRS	2007	2008	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
<b>Revenue</b>		<b>0.15</b>	<b>0.21</b>	<b>0.36</b>	<b>0.12</b>	<b>17.36</b>	<b>16.62</b>	<b>24.89</b>	<b>45.15</b>	<b>68.11</b>	<b>87.60</b>	<b>92.41</b>	<b>120.05</b>
yoyn %		-96.5%	40.0%	714%	-66.7%	14367.1%	-4.3%	49.8%	81.4%	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
<b>Gross profit</b>		<b>0.89</b>	<b>0.25</b>	<b>0.91</b>	<b>0.67</b>	<b>17.91</b>	<b>16.78</b>	<b>25.07</b>	<b>45.35</b>	<b>68.33</b>	<b>87.84</b>	<b>92.67</b>	<b>120.34</b>
<b>Research &amp; Development</b>		<b>-1.57</b>	<b>-1.75</b>	<b>-1.24</b>	<b>-6.13</b>	<b>-4.71</b>	<b>-2.14</b>	<b>-4.58</b>	<b>-6.77</b>	<b>-10.22</b>	<b>-13.14</b>	<b>-13.86</b>	<b>-18.01</b>
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		-	-	-0.10	-0.40	-1.94	-1.94	-0.12	-	-	-	-	-
MGN1703/dSLIM CRC		-	-	-1.07	-3.20	-0.23	-	-	-	-	-	-	-
MGN1706/dSLIM PC		-	-	-	-2.45	-2.45	-0.10	-	-	-	-	-	-
Leishmaniasis (vet)		-	-	-	-	-	-	-	-	-	-	-	-
<b>General R&amp;D and Administrative</b>		<b>-6.10</b>	<b>-4.80</b>	<b>-5.18</b>	<b>-5.29</b>	<b>-5.41</b>	<b>-5.73</b>	<b>-6.40</b>	<b>-7.22</b>	<b>-8.15</b>	<b>-9.21</b>	<b>-10.41</b>	<b>-11.77</b>
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	-0.47	-0.48	-0.49	-0.50	-0.52	-0.55	-0.58	-0.61	-0.64	-0.67
Other operating expenses		-2.23	-2.21	-2.52	-2.51	-2.50	-2.58	-2.89	-3.24	-3.63	-4.06	-4.55	-5.10
<b>Operating Expenses</b>		<b>-7.66</b>	<b>-6.55</b>	<b>-6.42</b>	<b>-11.42</b>	<b>-10.11</b>	<b>-7.87</b>	<b>-10.98</b>	<b>-13.99</b>	<b>-18.37</b>	<b>-22.35</b>	<b>-24.27</b>	<b>-29.78</b>
<b>EBIT</b>		<b>-6.78</b>	<b>-6.30</b>	<b>-5.51</b>	<b>-10.75</b>	<b>7.80</b>	<b>8.91</b>	<b>14.09</b>	<b>31.36</b>	<b>49.96</b>	<b>65.49</b>	<b>68.41</b>	<b>90.56</b>
in % of revenues		neg.	neg.	neg.	neg.	44.9%	53.6%	56.6%	69.4%	73.4%	74.8%	74.0%	75.4%
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
<b>EBT</b>		<b>-6.47</b>	<b>-6.09</b>	<b>-5.51</b>	<b>-10.75</b>	<b>7.80</b>	<b>8.91</b>	<b>14.09</b>	<b>31.36</b>	<b>49.96</b>	<b>65.49</b>	<b>68.41</b>	<b>90.51</b>
in % of revenues		neg.	neg.	neg.	neg.	44.9%	53.6%	56.6%	69.4%	73.4%	74.8%	74.0%	75.4%
Income taxes		0.00	0.00	0.00	0.00	-0.78	-1.43	-2.82	-9.41	-14.99	-19.65	-20.52	-27.17
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%
<b>EBT (and minority interests)</b>		<b>-6.47</b>	<b>-6.09</b>	<b>-5.51</b>	<b>-10.75</b>	<b>7.02</b>	<b>7.48</b>	<b>11.27</b>	<b>21.95</b>	<b>34.97</b>	<b>45.84</b>	<b>47.88</b>	<b>63.34</b>
in % of revenues		neg.	neg.	neg.	neg.	40.4%	45.0%	45.3%	48.6%	51.3%	52.3%	51.8%	52.8%
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
<b>Net profit/loss for the year</b>		<b>-6.47</b>	<b>-6.09</b>	<b>-5.51</b>	<b>-10.75</b>	<b>7.02</b>	<b>7.48</b>	<b>11.27</b>	<b>21.95</b>	<b>34.97</b>	<b>45.84</b>	<b>47.88</b>	<b>63.34</b>
in % of revenues		neg.	neg.	neg.	neg.	40.4%	45.0%	45.3%	48.6%	51.3%	52.3%	51.8%	52.8%
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
<b>EPS (in EUR)</b>		<b>-0.71</b>	<b>-0.65</b>	<b>-0.56</b>	<b>-1.06</b>	<b>0.69</b>	<b>0.74</b>	<b>1.11</b>	<b>2.16</b>	<b>3.45</b>	<b>4.52</b>	<b>4.72</b>	<b>6.24</b>

Source: Independent Research, 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

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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.
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.
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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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