MOLOGEN AG

MOLOGEN. Our Research – for you

Annual Report 2012

ADVANCED PRODUCT PIPELINE

of MOLOGEN AG as of December 31, 2012

Product	Research	Preclinic	Phase I	Phase II	Phase III	Approval
Oncology						
MGN1703-CRC (colorectal cancer) see page 4						Pivotal study under preparation
MGN1703-NSCLC (non-small cell lung cancer) see page 4						Phase II study applied for
MGN1703 (other solid tumors)						
MGN1601-RCC (renal cell carcinoma) see page 8						Phase II study under preparation
Infectious Diseases						
MGN1331 (leishmaniasis) see page 12						Phase I study under preparation
MGN1333 (hepatitis B) see page 12						
Collaborations						
MGN1404 (malignant melanoma)						Phase I study applied for

2012 – TARGETS REACHED

- Outstanding data from two clinical studies with MGN1703 and MGN1601
- Phase II study with MGN1703 in lung cancer applied for
- Successful capital increases of 25 million euros total
- Cooperation with Max Delbrück Centrum and Charité for clinical study in skin cancer
- Successful presentation of scientific results at cancer congress ESMO
- Patent granted for MGN1601 for important Japanese market

KEY DATA

according to IFRS	2012	2011	Change
in million €			
Results			
Revenue	0.1	0.1	0%
Personnel costs	3.4	3.1	10%
EBIT	-7.9	-7.6	4%
Net loss for the year	-7.8	-7.5	4%
R&D expenses	5.9	6.1	-3%
EPS in € (basic)	-0.56	-0.61	-8%
Statement of financial position			
Cash and cash equivalents	23.8	7.5	217%
Non-current assets	1.3	1.5	-13%
Current assets	24.5	8.3	195%
Non-current liabilities	–	–	–
Current liabilities	0.9	1.1	-18%
Equity	24.9	8.7	186%
Equity ratio	97 %	89 %	9%
Cash flow statement			
Cash flows from operating activities	-6.9	-6.3	10%
Cash flows from investing activities	1.9	-2.3	-183%
Cash flows from financing activities	23.4	9.3	152%
Number of employees as of Dec. 31	**53**	**52**	**2%**
MOLOGEN share			
Outstanding shares as of Dec. 31	15,412,449	12,459,275	24%
Year end price in €	11.70	7.02	67%

We conduct research – with a professional approach and passion – to develop safe and well tolerated medicines. Our development work focuses on oncological and infectious diseases. Our universally applicable platform technologies thereby form the basis for our broad and attractive product pipeline. What is remarkable: the active principle of our medicines utilizes the defense system of the human body and enables the patient's immune system to fight against the disease on its own again. An approach that our team enforces with great dedication.

With our unique technologies and innovative products we want to be among the leading biotechnology companies in the field of DNA-based and cell-based therapies and vaccines.

We conduct research for you – for innovative medicines that are highly effective and well tolerated.

CONTENT

Dr. Matthias Schroff
Chief Executive Officer (CEO)

is a scientist and responsible for the areas research and development, strategy and partnering. With a Ph.D. in biochemistry he firstly worked as a leading scientist for MOLOGEN AG, is the co-inventor of numerous technologies of the company, and is now the drive of further groundbreaking developments.

In 2005 he became a member of the Management Board and Chief Scientific Officer, and was appointed as Chief Executive Officer in 2008.

Jörg Petraß
Chief Financial Officer (CFO)

is accountable for the areas finance, investor relations, administration and human resources. Since 2001 he combines his management experiences in the field of finances with detailed knowledge about the business at MOLOGEN AG and the biotechnology sector.

In the position of Chief Financial Officer (since 2007) he brings this broad expertise into the company and with this is an ideal complement to the CEO.

DEAR SHAREHOLDERS,

The 2012 fiscal year was extremely successful for MOLOGEN AG. We were able to attain important achievements both in our research activities and with regard to financing. In looking back at 2012, two things in particular stand out against a number of positive events.

Firstly, we were able to present the long-awaited results of an initial evaluation of the phase II clinical colorectal cancer study with our cancer compound MGN1703 last year. The study data for this product, which is the furthest advanced of those in our pipeline, exceeded our already high expectations on efficacy and tolerability. The efficacy of MGN1703 was proved to be highly significant, in that a considerable prolongation of progression-free survival could be observed in the colorectal cancer patients who received treatment. The risk of progression of the tumor, known as the hazard ratio, was also reduced considerably.

The second important advance in our product pipeline pertained to our renal cancer therapy, MGN1601. New data from the study showed that the patient group that was able to completely finish the prescribed therapy regimen had a considerable survival advantage over the patient group that had to terminate the therapy cycle prematurely. Overall, the median survival time for patients treated with MGN1601 according to protocol was sixteen months, while all patients who withdrew from the study prematurely died within six months. Furthermore, it is especially noteworthy that two patients were even able to receive further treatment in an extension phase of the study. For the first of these patients, progression of the renal cancer was arrested for fourteen months, and the second patient has even shown a regression of the metastases for more than seventeen months.

The results of both studies were presented at ESMO, the European cancer congress, in Vienna in the fall, and they received great attention and appreciation from the scientific community. We have noted a corresponding increase in interest from pharmaceutical companies MOLOGEN AG has been discussing a licensing partnership for MGN1703 with.

On the financial side, our study activities resulted in R&D expenditures of 5.9 million euros, which is slightly lower than the previous year. Revenue in the amount of 0.1 million euros had a positive effect on the financial statements. As expected, the net loss of MOLOGEN AG for fiscal year 2012 was 7.8 million euros. Thanks to the two capital increases totaling 25 million euros, the statement of financial position as of December 31, 2012 shows cash and cash equivalents of 23.8 million euros, which will provide financing for our medium-term planned activities.

The plans for further scientific activities during 2013 currently involve additional clinical tests for MGN1601 in a phase II study and for MGN1703 in the indication of colorectal cancer in a phase III pivotal study. Consultations with the responsible authorities on the planned phase II study with MGN1703 in the indication of lung cancer are also in progress. Furthermore there are plans underway for a phase I study for our vaccine candidate against leishmaniasis, MGN1331. Thanks to the solid financing situation of MOLOGEN AG, we will be able to move forward with these activities single-handedly.

We would like to thank you, our shareholders, for your confidence in us, in our company, and in our dedicated employees, to whom we also extend our heartfelt thanks at this point. We are convinced that our joint success will continue in 2013.

Sincerely,

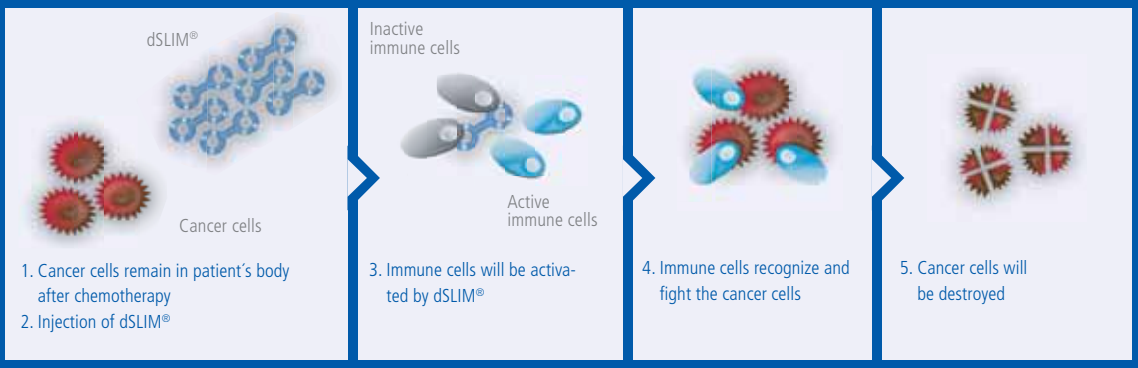
Dr. Matthias Schroff
Chief Executive Officer

Jörg Petraß
Chief Financial Officer

MGN1703 – DNA immunotherapy against cancer

MGN1703 is a new, active cancer immunotherapy for the treatment of solid tumors that can be used in various cancer indications. The compound showed excellent results from a randomized phase II study on the treatment of advanced colorectal cancer. Moreover, the study confirms the excellent safety profile of MGN1703. Because the product candidate can potentially be used for various cancer indications, it has a particularly high market potential.

Mode of action



The cancer immunotherapy MGN1703 aids in the broad activation of the patients' immune defense. This enables the immune system of the patients to break the tolerance to the cancer cells. The cancer cells are thus recognized and combated again.

Overview of study results

The efficacy of MGN1703 was shown during the course of a phase II colorectal cancer study in a highly significant subpopulation:

- Considerable prolongation of progression-free survival
- Risk of progression of the disease considerably reduced
- Excellent safety and tolerability
- Proof of concept confirmed

The dSLIM® technology forms the basis

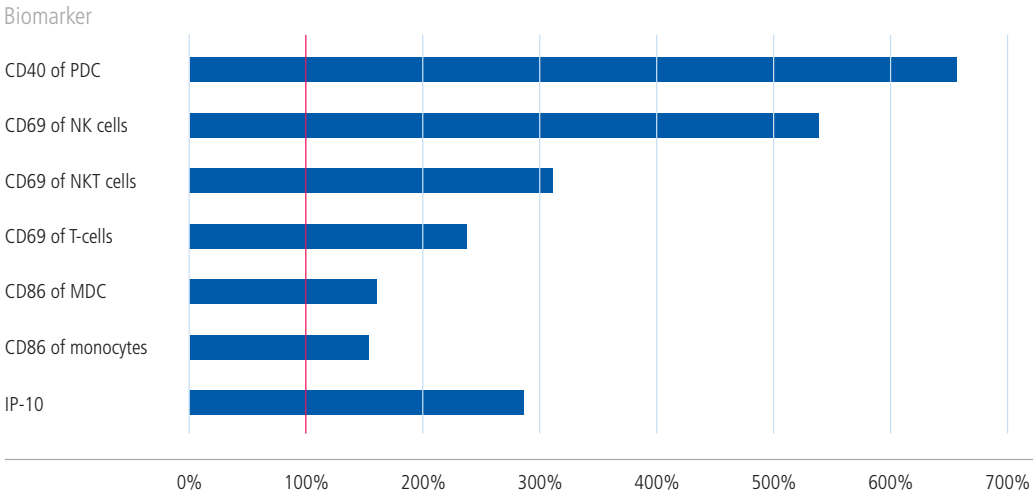
MGN1703 is based on the dSLIM® technology developed by MOLOGEN AG. The dSLIM® molecules are small, dumbbell-shaped DNA molecules that consist solely of natural DNA components and are part of the TLR9 agonist class. The molecules are recognized by certain immune cells of the human body and trigger a broad and strong innate immune activation.

MOLOGEN is utilizing the mode of action of the dSLIM® molecules in the fight against cancer within the development of product candidate MGN1703. Through this activation, the patients' immune system is again able to recognize and combat cancer cells for which it had previously developed a tolerance. Because the activation occurs regardless of the type of cancer, the use of MGN1703 is not restricted to one specific type of cancer. The product candidate can therefore be used in the treatment of various solid tumors, which include lung and breast cancer in addition to colorectal cancer.

Phase II study on colorectal cancer (IMPACT study)

MOLOGEN conducted a clinical phase II study to test the efficacy of MGN1703. This was structured as a randomized, placebo-controlled, double-blinded, multicenter study and took place in several countries, including Germany, Austria, France and Russia. During the course of the study, the efficacy of MGN1703 as a maintenance therapy for advanced colorectal cancer after successful first-line therapy was examined. Patients who were admitted had previously received a first-line therapy that had either stabilized their colorectal cancer or had resulted in partial or full remission. The patients were subsequently treated twice weekly with MGN1703 during the course of the IMPACT study. The patients in the control group received a placebo. The treatment was continued until renewed, radiologically confirmed progression of the tumor.

MGN1703: STRONG ACTIVATION OF CANCER PATIENTS' IMMUNE SYSTEM



PDC: plasmacytoidal dendritic cells
NK cells: natural killer cells
NKT cells: natural killer T-cells
MDC: myeloid dendritic cells

The strong activation of the patients' immune system has already been shown on the basis of immunological tests as part of the phase I study (the 100% line marks the status prior to administration of MGN1703). The strength of the activation of different immune cells after the injection of MGN1703 is thereby measured by means of special cell surface properties, such as the protein CD40.

The primary objective of the study was to determine the progression-free survival of the patients. Secondary objectives included determining the overall survival and survival rates and gathering immunological and pharmacodynamic parameters.

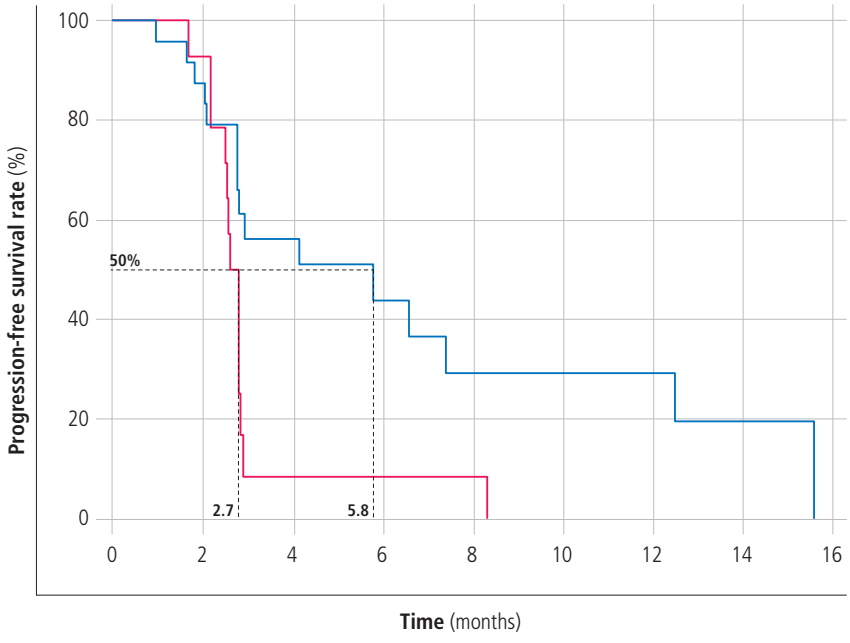
Excellent results regarding efficacy and tolerability

An initial evaluation of the IMPACT study was performed in May 2012. A total of 59 patients were included in the study, whereas the initial evaluation comprised 55 patients.

As early as this initial evaluation, it was shown that, in a subpopulation of 46 patients, the median progression-free survival was more than twice that of the placebo group. Progression-free survival, the primary study endpoint, describes the period during which the cancer does not progress any further. It also became apparent that the risk of renewed tumor progression (hazard ratio) for the patients treated with MGN1703 was less than half that of the placebo group. Moreover, the study confirms the excellent safety profile of MGN1703. The treatment was very well tolerated even over long periods of time.

In view of the progression of the study, MOLOGEN had ended patient recruitment ahead of schedule, after consulting with its scientific advisers. The patients still in the study continued to receive treatment until the end of January 2013. Data on overall patient survival will continue to be gathered.

MGN1703: PROGRESSION-FREE SURVIVAL PROLONGED CONSIDERABLY



The Kaplan-Meier curve displayed here compares the progression-free survival of both patient groups of the subpopulation (46 patients). This figure is 2.7 months for the placebo group and 5.8 months for the MGN1703 group (dotted lines). With a p-value of 0.01, the difference between the two groups is statistically significant (logrank test).

Phase II study on lung cancer

The universal mode of action of MGN1703 is based on a broad activation of the immune system in a manner necessary for it to successfully fight cancer. MOLOGEN AG therefore has at its disposal a compound that is distinct in that it can be utilized in a wide variety of cancer indications. The next step will therefore be to examine the compound in another indication, the treatment of advanced lung cancer (non-small cell lung cancer). To this end, in March 2012 the company submitted an application to conduct a phase II clinical study to the Paul Ehrlich Institute and the responsible ethics commission.

Intensive out-licensing activities

MOLOGEN is seeking to obtain a licensee from the pharmaceutical industry for the further development, regulatory approval, distribution and sale of MGN1703 in various cancer indications. The ongoing out-licensing activities intensified considerably after the promising data from the IMPACT study was presented.

With colorectal and lung cancer, MOLOGEN is focusing on two of the most common cancers. The demand for new and considerably better cancer drugs is enormous here. Against this backdrop, MGN1703 has a particularly high market potential, which might reach the blockbuster level of more than one billion euros for the indications of colorectal and lung cancer alone. MOLOGEN intends to realize this market potential with the help of a suitable pharmaceutical partner.

ESMO 2012 annual congress in Vienna

The 37th annual congress of the European Society for Medical Oncology (ESMO) took place in Vienna, Austria, from September 28 through October 2, 2012. More than 16,000 participants from all over the world came together to exchange the newest scientific results from the field of cancer research. Among other things, current research results from throughout the world were presented and discussed with experts and the pharmaceutical industry. The speech of Prof. Dr. Dirk Arnold on data from the IMPACT study with MGN1703 generated great interest.

Besides the annual congress of the American Society for Clinical Oncology (ASCO), this congress is the most important platform for the professional exchange of experiences.

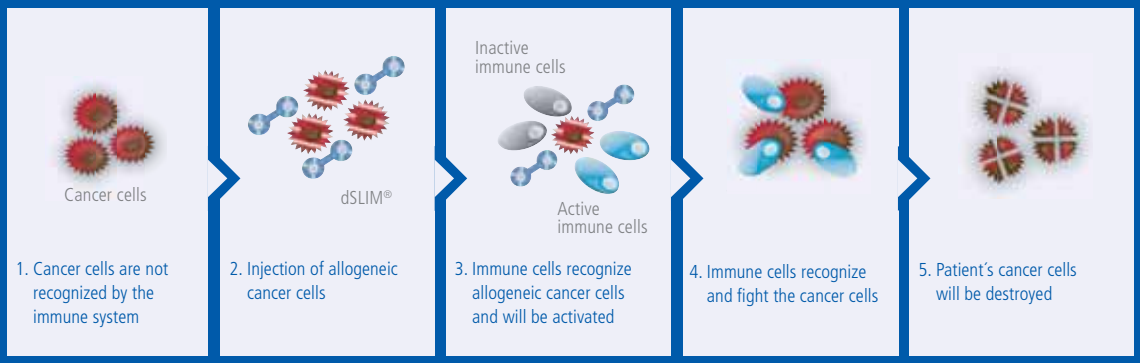
PICTURE ABOVE: The large assembly hall during the presentation of data from the colorectal cancer study with MGN1703.

PICTURE TO THE LEFT: Prof. Dr. Dirk Arnold presents the results of the colorectal cancer study.

MGN1601 – therapeutic vaccine against renal cancer

MGN1601 is our cell-based therapy against renal cancer. The compound was tested for safety and tolerability in 2011 as part of a phase I/II clinical study. In the process, the therapy showed an excellent safety profile and outstanding tolerability. During the last fiscal year, additional survival data was generated from the study that showed extremely promising evidence of the compound's efficacy.

Mode of action



MGN1601 is based on modified tumor cells. These cells, which are exogenous for patients, are intended to serve the immune system as an example for the patient's own tumor cells and therefore break the immune system's tolerance to the tumor. The therapy thus acts as a therapeutic vaccine against cancer.

Overview of study results

The results of the safety and tolerability study are also extremely promising with regard to the efficacy of MGN1601:

- Excellent safety and tolerability
- Median overall survival of more than sixteen months in the case of treatment according to the protocol
- Immunological mode of action exemplarily proven

Therapeutic vaccination against cancer

The tumor therapy with MGN1601 is a therapeutic vaccine to treat advanced renal cancer.

Genetically modified human tumor cells are used to serve the patient's immune system as a "mug shot," as it were, so that it can recognize and combat the patient's own cancer cells. The basis for this is a cell bank that MOLOGEN has established from human renal cancer cells in accordance with statutory pharmaceutical provisions. These cancer cells from the cell bank, which are foreign (allogeneic) to the patient, are "genetically modified" with additional genetic information by means of four different proprietary MIDGE® vectors, and combined with the DNA immunomodulator dSLIM® (as an adjuvant), which is likewise MOLOGEN's own.

The mode of action of the cell-based cancer therapy is to initially trigger a strong immune reaction against allogeneic, genetically modified cancer cells. After the immune system has "learned," by means of these cells, how cancer cells typically appear, a cross-reaction of the immune system is generated against the patient's own cancer cells. This enables the immune system to recognize and combat endogenous cancer cells.

Phase I/II study on renal cancer (ASET study)

The objective of the ASET study was to examine the safety and tolerability of MGN1601. Initial data on the compound's efficacy was also scheduled to be gathered. Patients were admitted into the study who had already undergone various lines of therapy and for whom tumor growth could no longer be stopped using currently available standard therapies. As part of this ASET study, the patients received eight injections containing MGN1601 over a period of twelve weeks in accordance with a stipulated therapy plan. If the patient's disease had at least stabilized by the end of the treatment period, they received further treatment within the extension phase that had been designed as part of the study. In this extension phase, the patients receive up to five additional treatments at increasing intervals over a period of a maximum of two years.

Patient recruitment was terminated ahead of schedule after 19 patients had been accepted, because the primary objective of the study to demonstrate safety and tolerability of the compound had already been achieved. The number of patients originally planned was 24. All patients will be regularly monitored even after conclusion of the treatment phase for up to five years.

Study results in detail

In addition to the safety and tolerability data of MGN1601, data on efficacy was also gathered. This showed that patients who were able to complete the full three-month therapy regimen display an unexpectedly long overall survival. This patient group is designated the PP group.

By contrast, a considerably shorter average overall survival was observed in patients who had to terminate the treatment with MGN1601 prematurely due to their cancer and the associated complications. This patient group is designated the non-PP group.

The data on the overall survival of the study participants was regularly updated during the past year as part of the monitoring of patients and was recently presented during the ESMO congress in October 2012. In the process, it became apparent that the survival advantage observed for patients from the PP group was increasing imposingly. The ten patients in the PP group have thus far survived an average of more than sixteen months. Moreover, only three patients in this group have died, which means that the median overall survival in this group might improve still further. By contrast, the median survival time for the patients who had to terminate

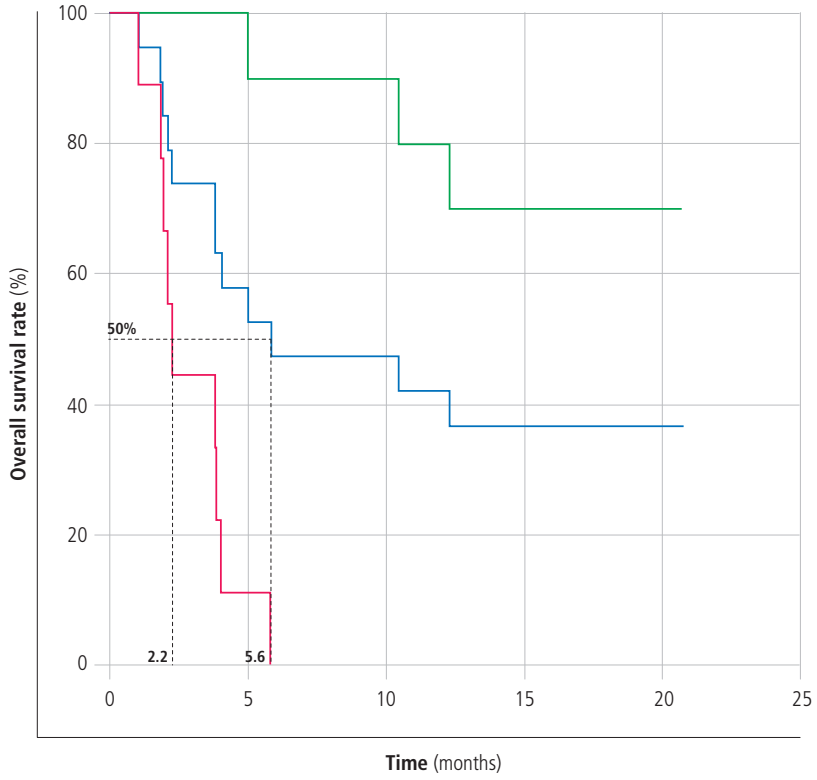
their study therapy prematurely (non-PP group) was only somewhat more than two months. All nine patients in this group died within six months.

Two patients from the PP group whose disease was under control after conclusion of the three-month therapy regimen received further treatment at fixed intervals within the extension phase of the study. The progression of the cancer was arrested for fourteen months in one of the two patients. At the time of the evaluation, the second patient's metastases had regressed for around seventeen months.

Immunological mode of action exemplarily proven

The evaluation of the immunological data exemplarily proved that the PP group patients, who completed the full three-month treatment cycle with MGN1601 as planned and in accordance with the study protocol, formed a considerable immune response. The strength of the immune response increased as the treatment period continued. The mode of action that was demonstrated in preclinical tests was thus able to be confirmed in patients as well.

PROMISING DATA ON OVERALL SURVIVAL



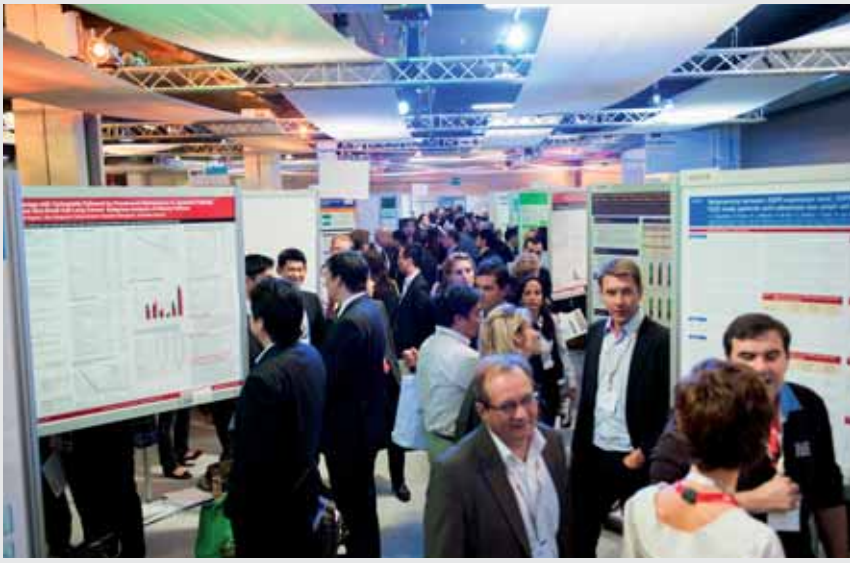
The Kaplan-Meier curve shows the overall survival of the study participants. The survival advantage of the patients from the PP group (green curve) can be clearly seen – this group did not reach the median (dotted line), but is at least sixteen months. The red curve shows the non-PP group (median overall survival 2.2 months), and the blue curve includes all study patients (median overall survival 5.6 months).

Renal cancer – a life-threatening disease

Various malignant tumors can emanate from the different tissues of the kidney. The most frequently occurring malignant tumor of the kidney is referred to as renal cancer or renal cell carcinoma. An estimated 200,000 new cases of this disease occur globally each year. According to the Robert Koch Institute, 15,000 patients are affected by the disease in Germany alone.

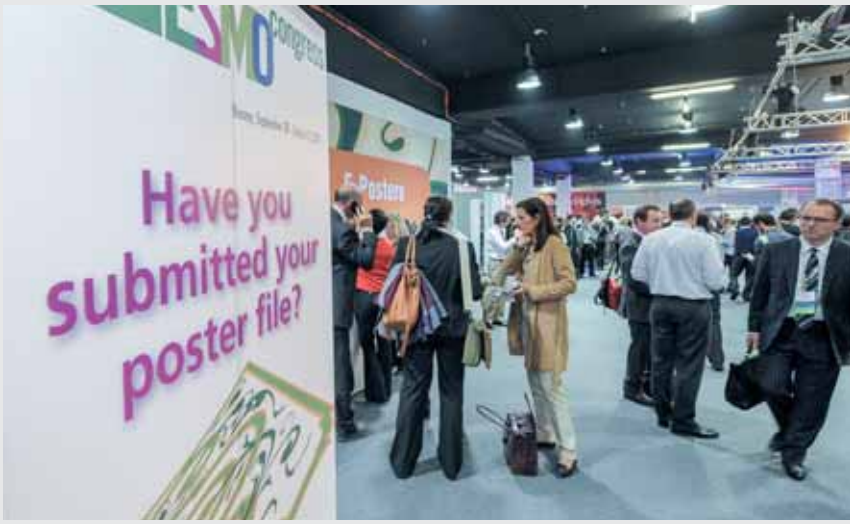
Approximately 30% of all patients already have distant metastases when the disease is first diagnosed, which considerably reduces therapy success. The tumor is therefore known for not responding to radiation therapy or chemotherapy. The use of pharmaceuticals currently on the market is accompanied by side effects that are not insignificant. So there is still a large medical demand for new drugs to treat renal cancer that are effective and have few side effects. This exact approach is being followed with MGN1601.

Because renal cancer is a rare cancer, MGN1601 has received orphan drug status from the European Medicines Agency (EMA). This allows MOLOGEN exclusive marketing rights for the therapy within the European Union for ten years. The European Union's orphan drug program is intended to support the development of therapies for rare and severe diseases.



PICTURE ABOVE: The newest data from the ASET study was presented on a scientific poster during the 2012 ESMO congress in Vienna. The congress participants had the opportunity to discuss the data presented with the scientists.

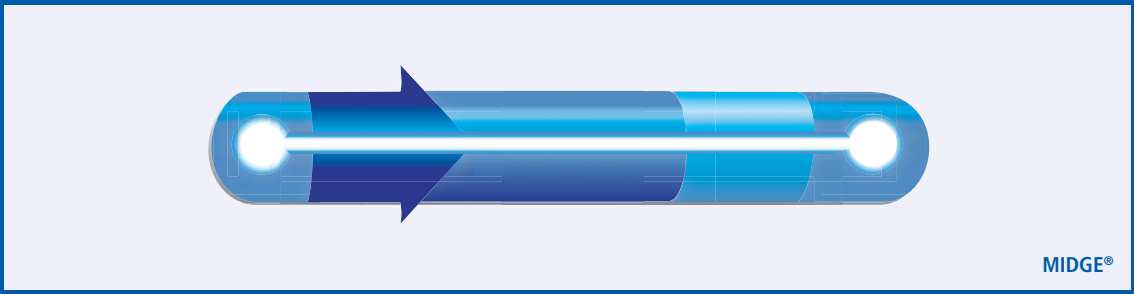
PICTURE BELOW: Scientific posters show the newest study data from global cancer research.



Vaccines MGN1331 and MGN1333

The second focal point of research activities of MOLOGEN AG is the field of infectious diseases. Modern DNA vaccines are being developed based on MIDGE® und MIDGE®-Th1, which are platform technologies developed in house. Two product candidates are currently in preclinical development: MGN1331 acts against the parasitic disease leishmaniasis, and MGN1333 addresses hepatitis B, a widespread viral disease.

MIDGE® – Gene expression vector



MIDGE® and MIDGE®-Th1 are the foundation for the modern DNA vaccines of MOLOGEN AG. Compared to plasmids or viral vectors, MIDGE® vectors only contain the information that is needed to achieve the desired effect.

Status of infectious disease research activities

MGN1331 (leishmaniasis vaccine)

- Preclinical research successfully concluded
- Prophylactic and therapeutic efficacy and safety tested in animal models
- Panel of experts confirms excellent results
- Plans for clinical phase I studies have begun

MGN1333 (hepatitis B)

- Preclinical development of the highly efficacious hepatitis B vaccine concluded
- Tolerated very well with extremely low side effects demonstrated

MGN1331 (leishmaniasis)

Of the two vaccines against infectious diseases, the development of the prophylactic and therapeutic vaccine MGN1331 against leishmaniasis is the furthest advanced and is on track for a clinical phase I study. The vaccine is based on the company's own MIDGE® technology, which has been impressively showing throughout this project how powerful this technology is even against a disease as difficult to treat as leishmaniasis.

For the costly development of this vaccine, MOLOGEN AG formed a consortium with international leishmaniasis research partners (www.leishdnavax.org):

- London School of Hygiene & Tropical Medicine,
- Charité – Universitätsmedizin Berlin,
- Indian Institute of Chemical Biology,
- Institut Pasteur de Tunis,
- Hebrew University of Jerusalem,
- Rajendra Memorial Research Institute of Medical Sciences, and
- Drugs for Neglected Diseases Initiative.

The consortium is receiving substantial financial support from the European Union. Out of a total of 3,000,000 euros in subsidies, the research carried out by MOLOGEN AG was supported with 1,200,000 euros.

Approximately twelve million people worldwide currently suffer from leishmaniasis, and the trend is clearly upward. It should be noted that the disease is spreading geographically and is present in 88 countries on four continents. This severe and often fatal infectious human and animal disease is one of the fourteen "neglected diseases" and the World Health Organization (WHO) is intensifying its attention toward the fight against them. Altogether, according to WHO estimates, more than one billion people worldwide suffer from various "neglected diseases". MOLOGEN AG is committed to the fight against leishmaniasis. Together with renowned research institutes from all over the world, the company is currently developing the innovative vaccine MGN1331 for the prevention and treatment of this disease. The global demand for a medically effective prevention and treatment is high. According to expert estimates, about 500,000 people contract the severe form of leishmaniasis annually, and more than 50,000 of them die.

The objective of the research project was to preclinically develop a prophylactic and therapeutic DNA vaccine against leishmaniasis. The project was successfully concluded in June 2012 with excellent data. Preparations have begun for a clinical phase I study with the innovative, widely applicable DNA vaccine MGN1331.

MGN1333 (hepatitis B)

The objective of the development of MGN1333 is to generate an innovative, highly effective vaccine against infection by the hepatitis B virus. The vaccine is intended for prophylactic as well as for therapeutic use. Although effective vaccines exist, there is enormous demand for innovative, improved vaccines that, for example, require only one dose for immunization (as of now, three vaccinations are generally required) or can also be used therapeutically.

The objective: a highly efficacious and well-tolerated DNA vaccine.

To enable the accomplishment of these objective parameters in the most optimal way possible, MOLOGEN is collaborating in this development with the Dutch company Synvolux Therapeutics B.V. which is contributing its well-tolerated SAINT transfection reagent to increase the efficacy and efficiency of the vaccine.

About hepatitis B

Hepatitis B is a severe liver disease. About two billion people worldwide have been infected, and approximately 350 million of them have chronic infections. This disease can have severe consequences, such as cirrhosis of the liver or liver cancer. Because chronic hepatitis B is difficult to treat, a prophylactic vaccine is the most important measure.

The preclinical development of the vaccine is being supported by the Bundesministerium für Bildung und Forschung (German Federal Ministry of Education and Research) as part of the EuroTransBio initiative of the EU. The project was largely concluded by the end of 2012.

REPORT OF THE SUPERVISORY BOARD

In the past fiscal year 2012 the Supervisory Board of MOLOGEN thoroughly fulfilled the tasks incumbent upon it according to law, the bylaws and the internal rules of procedure.

The Management Board was continuously monitored in the leadership of the company and supported with advice by the Supervisory Board. The Supervisory Board was always involved at an early stage in decisions of fundamental importance.

The Management Board has complied with its reporting obligations and has kept the Supervisory Board informed regularly, promptly, comprehensively and in detail. This has occurred in Supervisory Board meetings as well as through written and verbal reports regarding business development, the state of the company, including the risk situation, risk management and compliance, as well as the strategic orientation of the company, including financial and liquidity planning. Deviations from planning in terms of business performance were also subject of reporting. In addition, the Chairman of the Supervisory Board was briefed regularly in telephone discussions about the current state of the company and important events. The Supervisory Board has discussed the reports of the Management Board in detail and jointly with the Management Board.

As far as individual measures of the Management Board required the approval of the Supervisory Board according to law or the bylaws, the Supervisory Board discussed this and made the appropriate decisions in the Supervisory Board meetings. Where justified, decisions were made outside the meetings in writing, electronically or in the form of circular resolutions.

The Supervisory Board convened for four regular meetings in fiscal year 2012 which were held on March 9, July 19, September 28 and November 30, 2012. All three members of the Supervisory Board and both Management Board members have participated in each meeting.

The topics of the balance sheet meeting held on March 9, 2012 included in particular the annual financial statements and the individual annual financial statements for 2011, the risk management system, further plans in the area of clinical research and development and the business plan for 2012.

The second meeting for the first half of 2012 was held on July 19, 2012. In addition, during the second quarter of 2012 the Supervisory Board has also been regularly briefed by the Management Board via telephone concerning the state of the company and has therefore complied with its monitoring obligations.

The strategic planning for the continuation of the clinical development program for product candidates MGN1703 and MGN1601 as well as the measures for implementation of the partnership strategy for product candidate MGN1703 formed the focus of consultations at the meeting held on July 19, 2012.

At the meeting on September 28, 2012 the Supervisory Board together with the Management Board discussed in particular the issues of the 2012 employee participation program as well as out-licensing for the product candidate MGN1703.

Dr. Mathias P. Schlichting
(Chairman of the Supervisory Board)
Lawyer, LL.M.

Lawyer, business consultant and partner at Brehm & v. Moers, lawyers – tax consultants, Hamburg

Susanne Klimek
Tradeswoman

Managing Director of SALVATOR Vermögensverwaltungs GmbH, Munich

Gregor Kunz
Dipl.-Kfm.

Auditor, tax consultant and partner at RBS RoeverBroennerSusat, auditing company, tax consultants, Berlin

Finally, the meeting held on November 30, 2012 focused on the business plan for the year 2013, the annulment of the Scientific Advisory Board and the associated creation of expert panels as well as the status quo regarding the partnership activities for MGN1703. The Supervisory Board also dealt with the renewed appointment of the Management Board members and the performance targets for the fiscal year 2013.

In addition, outside its meetings, the Supervisory Board dealt with the following topics in particular, which required appropriate decisions on the part of the Supervisory Board: The cash capital increase adopted by the Management Board from authorized capital excluding the legal subscription right of shareholders was approved in March 2012. Then in June 2012 the Supervisory Board approved the cash capital increase adopted by the Management Board from authorized capital and in July 2012 the determination of the corresponding subscription price. Finally, in December 2012, the Supervisory Board decided to renew the appointment of both Management Board members, Dr. Matthias Schroff and Mr. Jörg Petrass, for three and four years, respectively, and also set the performance targets for fiscal year 2013.

No committees have been formed in the past fiscal year.

Conflicts of interest of the members of the Management Board and the Supervisory Board, which are to be brought to the attention of the Supervisory Board promptly and to be reported at the Annual General Meeting have not occurred in the year under review.

Compliance with the German Corporate Governance Code was monitored continuously by the Supervisory Board. MOLOGEN AG complies for the most part with the recommendations of the Government Commission on the German Corporate Governance Code. The current joint declaration of the Management Board and the Supervisory Board on the Code of February 2013 can be found on the company website and in the company's annual report 2012.

At the Annual General Meeting held on July 19, 2012 the Rölfs RP AG Wirtschaftsprüfungsgesellschaft was again selected as auditor for the fiscal year ending on December 31, 2012. On behalf of the Supervisory Board, the annual financial statements as of December 31, 2012 provided by the Management Board in accordance with the provisions of the Commercial Code (Handelsgesetzbuch = HGB) and the management report for the fiscal year 2012 provided by the Management Board were audited by the Rölfs RP AG Wirtschaftsprüfungsgesellschaft. The Management Board has also provided individual annual financial statements as of December 31, 2012 pursuant to IFRS in accordance with Section 325 Para. 2a HGB, as applied in the EU. The management report provided by the Management Board also includes reference to the individual annual financial statements pursuant to IFRS, as applied in the EU. The Supervisory Board commissioned that audit also to Rölfs RP AG Wirtschaftsprüfungsgesellschaft.

There have been no objections to the audit by Rölfs RP AG Wirtschaftsprüfungsgesellschaft. The auditors judged that the individual annual financial statements in accordance with

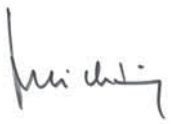
Section 325 Para. 2a HGB as of December 31, 2012 pursuant to IFRS, as applied in the EU, gives a true and fair view of the state of the company in terms of the financial performance and financial position. An unqualified auditors' opinion was also issued for the annual financial statements as of December 31, 2012 in accordance with the German Commercial Code (HGB). In addition, the auditors noted that the management report, which complies with the individual annual financial statements pursuant to Section 325 Para. 2a HGB and the annual financial statements according to HGB, provides on the whole a true picture of the state of the company and represents accurately the opportunities and risks of future development.

The annual financial statements according to HGB, the individual annual financial statements pursuant to IFRS, as applied in the EU, and the management report, which also refers to the individual annual financial statements as well as the audit reports, submitted to the members of the Supervisory Board on time, were examined by the Supervisory Board in accordance with the statutory provisions and then discussed in detail in the balance sheet meeting on March 11, 2013 in the presence of the Management Board and the auditors. The auditors have reported on the main results of their audit to the Supervisory Board and were available to answer questions and to provide further information.

The Supervisory Board has approved the results of the audit. Also its own audit and discussion led to no objections against the annual financial statements or the individual annual financial statements. The Supervisory Board has also agreed with the management report, which refers to the individual annual financial statements, and with the information contained therein on the company's development. The financial statements were approved by the Supervisory Board without restrictions or additions. The annual financial statements as of December 31, 2012, in accordance with the German Commercial Code (HGB) are hereby adopted.

The Supervisory Board thanks the members of the Management Board and all employees of MOLOGEN AG for their work and dedication over the past fiscal year.

Berlin, March 11, 2013



Dr. Mathias P. Schlichting
Chairman of the Supervisory Board

MOLOGEN SHARE

- Share price records strong gain of more than 60% in 2012
- Highest quote since 2006
- Market capitalization increases to approximately 180 million euros

Stock markets clearly positive in 2012

The German stock market trended positively across the board during 2012. The German stock index DAX started at 5,900 points. After an intermittent rally early in the year, during which the mark of 7,000 points was considerably exceeded in March, in June the DAX fell back to the level of the beginning of the year. The worsening of the government debt crisis, particularly in southern Europe, discussions about the withdrawal of Greece from the currency union, and the increasingly gloomy outlook for the European economy dominated the news during this downturn.

However, the mood on the German stock market improved with the ruling of the Federal Constitutional Court on the legality of the European Stability Mechanism (ESM) and the relatively robust economic development in Germany. This trend continued through the end of the year despite continued uncertainties about the broader trend in Europe. DAX continued to increase during the second half of the year and ended the trading year at 7,612 points. Altogether, the German benchmark index gained about 29% during 2012.

The development of pharmaceutical and biotechnology industry shares was likewise clearly positive but considerably less volatile. However, the German benchmark DAXsector Pharma & Healthcare was not able to maintain its high mark of the year, 2,502 points in October, until the end of the year. Nevertheless, this index gained around 16% overall in 2012, and increased from 2,025 points to 2,358 points on the last trading day of the year.

Share price increase of more than 60% for MOLOGEN

Thanks to a wide range of major advances in the product pipeline, the development of the MOLOGEN share price during 2012 was extremely satisfying. The shares opened on January 2, 2012, at a price of 6.90 euros, which was also the low point of the year. As the year progressed, the price improved continually, interrupted only by a short weak period in June and July which occurred at the same time as the largest capitalization measure in the history of the company was undertaken.

After the successful conclusion of the capital increase at an issue price of 8.50 euros, from which the company received gross proceeds of approximately 22 million euros, the shares continued their rally in the second half of the year and reached the highest price of the year, 13.75 euros, on October 1, 2012. This level could not be maintained through the end of the fiscal year, however, and the share price was 11.70 euros at the end of the trading year. The share thus reached a level not seen since 2006.

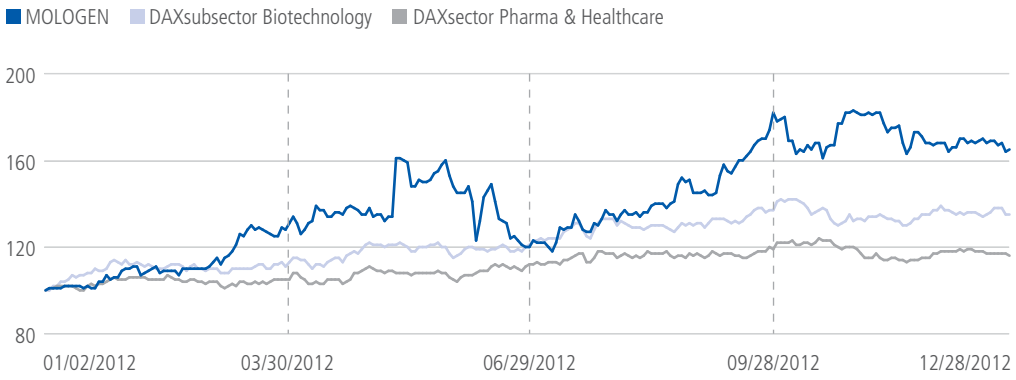
Altogether, the MOLOGEN share price increased by more than 60% during the 2012 trading year. Due to this development and the two successful capital increases carried out, the market capitalization of MOLOGEN AG increased to approximately 180 million euros. During the first months of the fiscal year 2013 the stock price has again strongly increased. In February a new multi-annual high of 14.55 euros was reached. Until the completion of this report the share price lay in the range between 13.50 and 14.00 euros.

KEY CAPITAL MARKET FIGURES

Key data (XETRA)	2012	2011
First trading day (€)	7.10	8.70
Last trading day (€)	11.70	7.02
Year high (€)	12.97	9.00
Year low (€)	7.10	6.35
Year average (€)	9.99	7.86
Number of shares outstanding on Dec. 31	15,412,449	12,459,275
Weighted number of shares	13,916,040	12,339,803
Market capitalization on Dec. 31 (in million €)	180.33	87.46
Average market capitalization (in million €)	139.02	96.99
Average trading volume at Frankfurt Stock Exchange (shares)	14,825	9,179

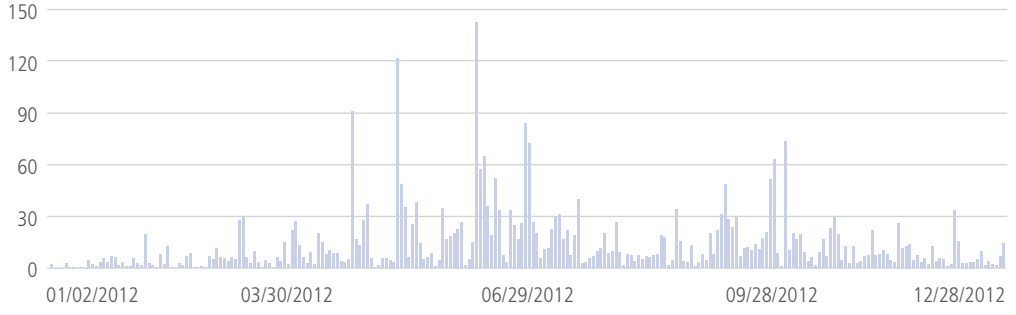
SHARE PRICE DEVELOPMENT AND TRADING VOLUME

Performance comparison of MOLOGEN share in 2012



Trading volume of MOLOGEN share in 2012

(thousand shares)

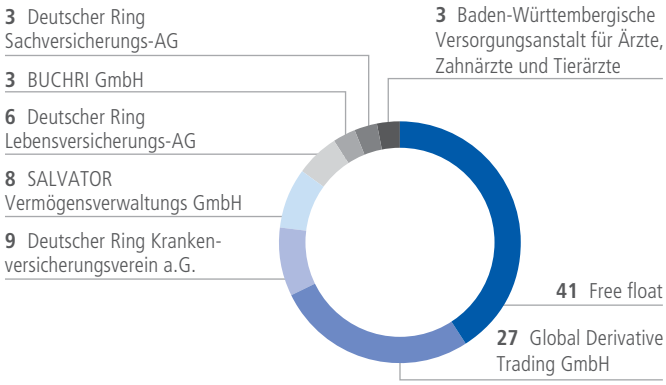


Change in shareholder structure

In the third quarter of 2012, MOLOGEN published the voting rights disclosures of a new major shareholder. According to this, Mr. Thorsten Wagner has held more than 25% of the shares of the company since July 16, 2012. Through the attribution of shares held by Global Derivative Trading GmbH, he is therefore the largest single shareholder of MOLOGEN AG.

SHAREHOLDER STRUCTURE

Share ownership as of December 31, 2012
in %



In accordance with Section 27a, Para. 1 of the Wertpapierhandelsgesetz (Securities Trading Act), Mr. Wagner furthermore informed MOLOGEN AG in October 2012 that he is pursuing no strategic objective with his shareholdings and does not intend to acquire further shares within the next twelve months.

The following are the largest equity holdings in MOLOGEN AG: Deutscher Ring Krankenversicherungsverein a. G. with 9%, SALVATOR Vermögensverwaltungs GmbH with 8%, and Deutscher Ring Lebensversicherungs-AG with 6%.

Investor relations

With an active and transparent communication policy, we always provide comprehensive and prompt information about all developments at MOLOGEN AG. Dedicated investor relations contact persons are happy to answer any questions and discuss any suggestions you may have at any time.

MOLOGEN AG currently receives support from four independent research firms that evaluate the company's development in regular studies: DZ Bank AG, Edison Investment Research Ltd., First Berlin Equity Research GmbH and Montega AG. Further information in this regard is available on the internet pages of MOLOGEN AG.

SHARE DATA

Share information	
Stock exchange abbreviation	MGN
ISIN	DE 000 663 7200
WKN	663 720
Class	bearer shares without par-value
Market segment	Regulated Market (Prime Standard)
DAXsector	Pharma & Healthcare
DAXsubsector	Biotechnology
Trading exchanges	XETRA, Frankfurt, Berlin, Düsseldorf, Hamburg, Munich, Stuttgart
Designated sponsor	DZ Bank AG, Tradegate AG Wertpapierhandelsbank

For further information please visit: www.mologen.com

HIGHLIGHTS

- Positive clinical data for the colorectal cancer study with MGN1703 and the renal cancer study with MGN1601
- Phase II lung cancer study for MGN1703 applied for
- Earnings impacted by R&D expenses of € 5.9 million
- Successful capital increases carried out – gross cash inflow of approx. € 25 million

FINANCIAL INFORMATION

MANAGEMENT REPORT

for the 2012 financial year

- Positive clinical data for the colorectal cancer study with MGN1703 and the renal cancer study with MGN1601
- Phase II lung cancer study for MGN1703 applied for
- Earnings impacted by R&D expenses of € 5.9 million
- Successful capital increases carried out – gross cash inflow of approx. € 25 million

The 2012 financial year proved very eventful and extremely successful for MOLOGEN AG. Important milestones were reached in the area of research and development in particular: positive clinical data on the efficacy of the two product candidates MGN1703 and MGN1601 in the colorectal cancer and renal cancer indications, application for a further clinical study with MGN1703 for lung cancer, the successful conclusion of the preclinical studies for the leishmaniasis vaccine MGN1331 and last, but not least, a new cooperation with the Charité and the Max Delbrück Centrum to clinically test a MIDGE®-based cancer therapy.

The intense activities of the research & development department led to increased expenses. As expected, the operating result according to IFRS sank by around 4% to € -7.9 million.

MOLOGEN could significantly strengthen its financial base through two successful capital increases from authorized capital. Liquid funds as on December 31, 2012, amounted to € 23.8 million and are therefore considerably higher than the previous year's value of € 7.5 million.

Business activity and strategy

MOLOGEN AG ("MOLOGEN") is an internationally operating biotechnology company. Its research and development activities are focused on the fields of oncology and infectious diseases. Within these fields, MOLOGEN researches and develops various drug candidates that primarily address diseases with a high medical demand.

The foundation for the work are proprietary technologies, which should enable, or decisively facilitate, the use of DNA (deoxyribonucleic acid, carriers of genetic information for all living beings) as a drug against all previously untreated or insufficiently treatable diseases.

These technologies are patented under the trademarks MIDGE®, MIDGE®-Th1 and dSLIM®. In addition, MOLOGEN also has a unique tumor cell bank characterized according to the guidelines governing drug law which also forms the basis for drug development.

MOLOGEN researches its own product candidates and develops them during the course of preclinical studies and early clinical studies. Ultimately, the aim is to issue licenses to large pharmaceutical companies for further clinical development and marketing of these drug candidates. Additional growth is envisaged through license income, which could consist of one-off and milestone payments as well as royalties, and consequently promote MOLOGEN's operational profitability.

MOLOGEN was founded in 1998 as a public limited company incorporated under German law and went public in the same year. The company's shares have been traded on the Prime Standard of the Frankfurt Stock Exchange since June 2009.

Accounting

This management report refers to the annual report drawn up in accordance with the German Commercial Code (HGB). It also refers to the individual annual financial statements in accordance with Section 325 Para. 2a HGB as applied in the EU. MOLOGEN will disclose the individual annual financial statements in accordance with Section 325a Para. 2a HGB as applied in the EU ("IFRS financial statements"), pursuant to the provisions of German commercial law.

The financial figures stated in this management report refer to MOLOGEN's IFRS individual annual financial statements. Figures relating to the annual report are marked accordingly.

Since the technologies and product candidates are still under research or clinical development, MOLOGEN does not prepare segment reporting. Cash flows and corresponding expenses cannot be clearly allocated to the individual product candidates and technologies as various combinations of in-house as well as licensed technologies are used for the various product candidates. Segment reporting would not provide any additional information compared to the information already included in the other components of the annual report or compared to information contained in the management report.

Legal framework conditions

The regulatory framework governing the research and development of new drugs is particularly relevant for MOLOGEN. This area is subject to regular amendments and further development. For example, the German Medicines Act (AMG) was amended yet again by the 16th AMG amendment, which came into effect on October 16, 2012. Overall, the amendments to the framework conditions have had no disproportionately significant impact on MOLOGEN's business activities.

What is relevant for the sales potential of in-house product candidates, however, are the outline conditions in the health sector, in particular in the EU and the USA – specifically the continuing cost pressure in the health systems.

Performance indicators

FINANCIAL PERFORMANCE INDICATORS

The focus of the company's activities is the research and development of in-house technologies and product candidates with the aim of licensing them out to partners in the pharmaceutical industry. It is therefore essential to assure sufficient liquidity so as to carry out the research and development programs according to the envisaged scope and timeframe and to support the out-licensing activities with the generated data.

Since MOLOGEN does not yet have noteworthy regular turnover from license agreements, the amount of cash and cash equivalents is the main financial performance indicator. Cash and cash equivalents totaled € 23.8 million as of December 31, 2012 (12/31/2011: € 7.5 million) and were particularly strengthened by the issue of new shares.

NON-FINANCIAL PERFORMANCE INDICATORS

In addition to the financial performance indicators, the non-financial performance indicators play a decisive role in the success of MOLOGEN.

One of MOLOGEN's most important non-financial performance indicators is its employees. To ensure a target-oriented and scientifically established further development of innovative product candidates, it is imperative to have competent employees and a workforce dedicated to coping with the scope of duties.

The number of employees in the field of research and development showed a slight increase compared to the previous year: An average of 41 employees were active in the area of research and development (excluding management; 2011: 40 employees). As of December 31, 2012, MOLOGEN had a total of 53 employees (12/31/2011: 52 employees).

Number of employees

as of Dec 31

MOLOGEN's patent portfolio is also an important non-financial performance indicator. The protection of in-house platform technologies and drug candidates and in-house expertise is of great significance for MOLOGEN's business strategy. Being able to license out the in-house drug candidates successfully will depend primarily on the quality of the underlying patent protection. MOLOGEN therefore strives to protect new technologies, products and processes with patents and to continuously further develop the patent portfolio.

As of December 31, 2012, the patent portfolio is sub-divided into 23 patent families and includes 189 issued and envisaged single patents as well as more than 49 patent applications.

Number of already granted and envisaged patents

as of Dec 31.

Economic environment

OVERALL ECONOMIC GROWTH

- Global economic growth in 2012 slower than in the previous year
- Forecasts for 2013 cautiously optimistic
- Development of the German economy comparatively robust

The general economic development in 2012 was very varied: Increasingly negative trends followed a very positive start; they could only be mitigated, at least in part, by positive developments in the emerging markets in particular, over the course of the second half of the year. Overall, as calculated by the International Monetary Fund IMF in January 2013 for the whole year 2012, there has been worldwide growth of 3.2%, after an increase of 3.9% in 2011, with the USA achieving growth of 2.3% (2011: 1.8%). However, compared to the previous year, the overall growth demonstrated no stable trend. In particular, after a very strong third quarter, this trend was reversed in the final quarter of 2012 and economic performance declined for the first time since 2009. Forecasts of the IMF now predict a growth of 2.0%.

The Eurozone, by contrast, recorded a slight recession, as economic performance declined by a total of 0.4% across 2012 (2011: +1.4%). Although the acute risks of the previous year have been reduced and confidence in the Eurozone and the single currency has recovered, at least in part, the IMF still expects the recession to continue in 2013, with a corresponding 0.2% decline in economic performance. The German economy was very robust in the previous year and even reached a gain of 0.7% for 2012 (2011: 3.0%). However, the international environment is expected to remain difficult, which will continue to dampen economic growth in 2013. The German federal government therefore expects a growth of only 0.4%.

Japan is also struggling with the recession, which intensified in the second half of 2012. The IMF has nevertheless calculated an economic growth of 2.0% for 2012 (2011: -0.6%) and forecast a growth of 1.2% for 2013.

Economic growth in the emerging economies further increased in the second half of the year and made a significant contribution to positive global economic growth. Overall, these countries, led by China with 7.8%, recorded growth of 5.1% (2011: 6.3%). The IMF expects solid growth in these regions for 2013 as well, which at 5.5% could be slightly above the previous year.

However, the forecasts outlined here for 2013 are subject to considerable uncertainty: The European debt crisis continues to impact the development of other economies to different extents. As a result, the risk that a renewed intensification of the crisis in the Eurozone could impact global economic performance remains high. In addition, there are also risks from the stagnating labor markets. Further growth in the USA is also subject to significant risks. The problem of the "fiscal cliff" needs to be solved, as does the relatively high rate of unemployment.

As result of concerns regarding the economic situation, interest rates remain at an historical low. The European Central Bank lowered the prime rate to less than one percent in July 2012 for the first time since the introduction of the euro and it has since remained unchanged at 0.75%. At the beginning of 2012, the American Reserve Bank decided to keep the prime rate between 0% and 0.25% and to maintain this margin until at least the end of 2014.

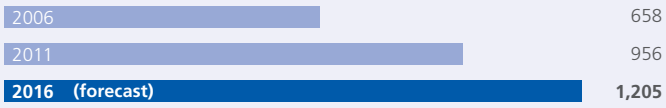
DEVELOPMENT OF THE PHARMACEUTICAL AND BIOTECHNOLOGY INDUSTRIES

- Worldwide turnover for pharmaceuticals set to reach around US$ 1.2 trillion in 2016
- The growth rate averages at 5% p.a.
- Oncology remains the best-selling therapeutic area

The market research institute IMS Health expects an increase in annual medication expenses of around US$ 960 billion in 2011 to US$ 1.2 trillion in 2016. This corresponds to an average annual growth rate of about 5% and arises from the forecast published by the Institute in July 2012. The forecast predicts that the growth rate in 2012 has reached its lowest point with around 3–4% and will now regain momentum.

Development of the global pharmaceutical market 2006 to 2016

in billion US$*



* Source: IMS Health

The growth rate of the pharmaceutical market is being driven by the emerging economies. The market share of the industrialized countries is therefore expected to decline from 66% (2011) to 57% (2016). The market share of the emerging markets, led by China, will increase considerably over the next five years from about 20% to an estimated 30%. Oncology is expected to achieve a market volume of US$ 83–88 billion in 2016 and will thus remain the bestselling therapeutic area.

The analysts of IMS Health also expect that the significance of generic drugs will continue to increase. Consequently, in the following years, generic drugs will make a significant contribution towards growth. In contrast, only an insignificant increase in revenue from patent-protected drugs is predicted, as 13 of the current 20 best-selling branded products will lose their patent protection over the next five years.

This means that the industry faces great challenges in the future. The key issues are expiring patents, the expansion of market shares for generic drugs, budgeting of health expenses as well as regulatory and technological risks. New, innovative drugs, which are more easily tolerated, utilize novel modes of action and show a better efficacy than the previous therapeutic options could, however, also make a considerable contribution towards the further growth of pharmaceutical companies. This would lead to an increased interrelation of pharmaceutical and biotechnology companies. Against this background, the business prospects for innovative biotechnology companies such as MOLOGEN can continue to be assessed positively in the long-term.

Course of business

- Positive clinical data for the cancer drugs MGN1703 and MGN1601
- Phase II lung cancer study for MGN1703 applied for
- Successful conclusion of preclinical studies for the leishmaniasis vaccine MGN1331 and the hepatitis B vaccine MGN1333
- Cooperation with the Charité and the Max Delbrück Centrum with regard to skin cancer

Composition of the product pipeline:

Product	Research	Preclinic	Phase I	Phase II	Phase III	Approval
Oncology						
MGN1703-CRC (colorectal cancer)						Pivotal study under preparation
MGN1703-NSCLC (non-small cell lung cancer)						Phase II study applied for
MGN1703 (other solid tumors)						
MGN1601-RCC (renal cell carcinoma)						Phase II study under preparation
Infectious Diseases						
MGN1331 (leishmaniasis)						Phase I study under preparation
MGN1333 (hepatitis B)						
Cooperations						
MGN1404 (malignant melanoma)						Phase I study applied for

RESEARCH AND DEVELOPMENT (R&D)

The objective of MOLOGEN is to develop highly innovative drugs to treat cancer and serious infectious diseases on the basis of its own platform technologies.

Once again, important developments were achieved during the 2012 financial year within the scope of the company's research and development strategy. Here, the execution and analysis of the ongoing clinical studies on the key products in the field of oncology (MGN1703 and MGN1601) was the focus of the R&D activities in the period under review.

ONCOLOGY – CANCER DRUG MGN1703

Colorectal cancer study

MOLOGEN continued with the phase II clinical study (IMPACT study) in the financial year. An initial analysis of the study was carried out in May 2012. The very positive results exceeded the company's expectation. A total of 59 patients were enrolled in the study and the initial analysis included 55 patients.

This initial analysis has already indicated that in a defined subpopulation of 46 patients, the median progression-free survival period – the primary endpoint of the study – was 5.8 months, more than double that of 2.7 months in the placebo group. Progression-free survival describes the period in which a cancer does not progress.

With a p-value of 0.01, the difference between the MGN1703 group and the placebo group was statistically significant. The hazard ratio was 0.39. This means that the risk of renewed tumor progression in the patients treated with MGN1703 was cut by more than half compared to the placebo group. The progression-free survival rate after six months – one of the secondary end points – was 34% in the MGN1703 group, i.e. considerably higher than the 8% demonstrated in the placebo group. With a p-value of 0.01, the difference between the two groups was once again statistically significant. In addition, the study confirmed that MGN1703 possesses a very good safety profile. Treatment was tolerated very well even over a long period of time, in some cases for more than a year.

Detailed results of the study were presented to the medical world at the international conference of the "European Society for Medical Oncology" (ESMO) in October 2012.

Based on this data, the next step will be to apply for approval from the regulatory authorities for pharmaceuticals in the USA and Europe. At the same time, discussions with potential partners from the pharmaceutical industry continued with regard to out-licensing MGN1703.

The randomized, placebo-controlled, double-blinded, multicenter phase II clinical study (IMPACT study) examines the efficacy of MGN1703 as a maintenance therapy after a successful first-line therapy for advanced colorectal cancer. Patients enrolled in the study had initially received the standard first-line therapy, which had either stabilized the colorectal cancer or put it into partial or complete remission.

During the study, MGN1703 was administered to the patients twice a week. The comparison group received a placebo. Treatment was continued until further progression of the cancer was radiologically confirmed.

The primary objective of the study is to determine the patients' progression-free survival rate. The secondary objective of the study is to determine the overall survival rate, the progression-free and overall survival rates as well as the elicitation of immunological and pharmacodynamic parameters.

In light of the study's progression, MOLOGEN prematurely ended the study before the initial analysis, in consultation with scientific advisors. Patients enrolled in the study continued to be treated, in accordance with the protocol, until the treatment cycle of the study was completely concluded in February 2013. Patients still being treated at this point in time were transferred to either the "Compassionate Use" program (in Germany) or the "Named Patient" program (in Austria). A final and comprehensive evaluation for the treatment phase of the study is currently being performed and the corresponding final report prepared. The patients will continue to be monitored for their overall survival.

Lung cancer study

The universal mode of action of MGN1703 is based on a broad activation of the immune system in a manner required to successfully combat cancer. This means that MOLOGEN is in a position to utilize MGN1703 for completely different cancer indications. In future, MOLOGEN will also examine the cancer drug MGN1703 for the treatment of lung cancer. For this purpose, in March 2012, MOLOGEN submitted an application for permission to implement a phase II clinical study to the Paul Ehrlich Institute and the responsible ethics committee.

ONCOLOGY – CELL-BASED THERAPY AGAINST RENAL CANCER (MGN1601)

Renal cancer study

As well as the colorectal clinical study with MGN1703, MOLOGEN also continued with the phase I/II clinical study (ASET study) to examine the safety and efficacy of MGN1601. This clinical study includes patients suffering from advanced renal cancer, for whom the standard therapies had been unsuccessful, i.e. tumor growth could no longer be halted. The patients were initially treated with MGN1601 for a period of three months.

Patients who responded positively to treatment with MGN1601 then received further treatment in an extension phase. In this extension phase, patients received up to five further treatments at increasing intervals over a period of two years. A total of 19 patients were enrolled in the study. The study's primary objective of confirming the safety and tolerability of the compound was achieved: the only side-effects that could be related to the use of MGN1601 were mild (slight fever, edema, tiredness, skin rashes, itching, joint pain).

The patients were observed even after they had withdrawn from the study to record the overall survival of the participants beyond the study.

An initial analysis of the phase I/II study regarding the overall survival of the participants was carried out in March 2012. This showed very good results: Patients who were able to complete the 12-week therapy scheme with MGN1601 as laid out in the study protocol ("PP group") gained an unexpectedly strong survival advantage compared to patients who had to conclude their study therapy prematurely ("nonPP group"). The latest data was presented in the form of a scientific poster at the conference of the "European Society for Medical Oncology" (ESMO) in October 2012.

At that time, the ten patients in the PP group were expected to have a median survival rate of more than 16 months. In addition, only three patients in this group had died, meaning that the median survival rate of this group could improve even further. The median survival rate of patients in the nonPP group is just slightly more than two months; all nine patients in this group died within six months.

Two patients from the PP group whose illness was under control following the three-month therapy scheme continued to receive treatment at specified intervals as part of the extension phase. For one of these patients, the progression of the cancer could be suppressed for 14 months. At the time of the analysis, the second patient had been showing a decrease in the metastases for about 17 months.

In addition, based on the analysis of immunological data, it could be exemplarily proven that patients who had completed the planned three-month treatment cycle with MGN1601, as laid out in the study protocol, had developed a clear immune response. The strength of the immune response increased as the length of the treatment period increased. As a result, the mode of action demonstrated in preclinical studies could also be confirmed in patients.

In April 2012, a scientific consultation was held at the Paul Ehrlich Institute in which, among other things, questions regarding the design of future clinical studies were discussed with the authorities. Based on this, a further clinical study with MGN1601 is being planned.

INFECTIOUS DISEASES

R&D activities for leishmaniasis (vaccine candidate MGN1331) and hepatitis B (vaccine candidate MGN1333) proceeded as planned or could be completed in the reporting period.

DNA vaccine against leishmaniasis

The preclinical studies for the vaccine candidate MGN1331 were successfully concluded in June 2012. Within the "LEISHDNAVAX" project the innovative MIDGE®-based vaccine was tested for efficacy and safety. MOLOGEN considered the results of this study to be very good. An independent panel of experts, which assessed the results at a project meeting after conclusion of the project, confirmed the very promising results. The project was funded by the EU as part of the 7th Framework Programme of the European Union.

During the project, the first scientific consultations for starting to plan the phase I clinical studies were held with the European Medicines Agency (EMA) and the Paul Ehrlich Institute.

The development of a MIDGE®-based DNA leishmaniasis vaccine for animals showed no significant progress. Compared to other drug candidates, the product candidate only has a very limited market potential. Any delays in this project will therefore not have a significant effect on MOLOGEN's position.

DNA vaccine against hepatitis B

The project to carry out preclinical trials for a MIDGE®-based hepatitis B vaccine was implemented as planned in the previous year and was largely concluded by the year end. The data collected is currently being analyzed and a final report prepared.

COOPERATIONS

MOLOGEN has concluded a cooperation agreement with the Experimental and Clinical Research Center (ECRC) of the Charité University Medical Department in Berlin and the Max Delbrück Centrum for Molecular Medicine (MDC) in Berlin-Buch. A planned clinical study at Charité will examine the safety and tolerability of a MIDGE®-based cancer immunotherapy (MGN1404) for treating malignant melanoma. The primary objective of the cooperation was to implement all the necessary preparations for the clinical study and to submit an application for the study to the relevant authorities and the ethics committee. The submission was made as planned in the third quarter of 2012. MOLOGEN supported its partners in preparing the application and is responsible for manufacturing the investigational medicinal product.

The company has cooperated with the Freie Universität Berlin (Free University Berlin) in the field of basic research for several years. The aim is to discover and further develop promising technologies in the future. As part of the cooperation, the parties have established the "MOLOGEN Stiftungsinstitut für Molekularbiologie und Bioinformatik" (MOLOGEN Foundation Institute for Molecular Biology and Bioinformatics) at the FU-Berlin. MOLOGEN supports the Foundation Institute both financially and by providing personnel and material resources.

MOLOGEN's scientific advisory board, which consisted of experts from a variety of fields, was dissolved on December 31, 2012, with the expiry of the contracts. In the future, MOLOGEN will use external expertise for its clinical development portfolio in particular, albeit with a different contractual basis.

PATENTS

In February 2012, MOLOGEN received a patent in Japan for the invention of "allogeneic tumor therapeutic agent". These are cancer therapies based on allogeneic, gene-modified cancer cells, and can be used to treat a range of cancer indications. The cell-based cancer therapy MGN1601, which is already in clinical development, is covered by this patent. With it, MOLOGEN has now also received patent protection on the Japanese market for its major invention as well as its specific product candidate MGN1601, having already received patents in Europe, the USA and Russia.

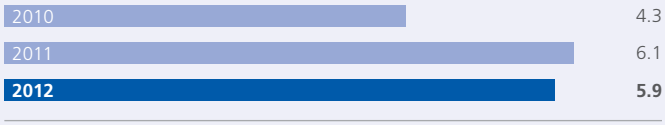
The patent protection also includes the underlying allogeneic cancer cell lines that MOLOGEN has established for the drug in accordance with pharmaceutical regulations.

R&D EXPENSES

Progress in the R&D area represents an important foundation for the company's further positive development. Therefore, recognized measures and investments amounting to € 5.9 million (2011: € 6.1 million) were executed according to plan in the 2012 financial year.

R&D expenses

in million €



Financial performance and financial position

- R&D expenses of € 5.9 million (2011: € 6.1 million)
- EBIT of € -7.9 million (2011: € -7.6 million)
- Average cash utilized per month: € 0.74 million (2011: € 0.60 million)
- Cash and cash equivalents of € 23.8 million (2011: € 7.5 million)

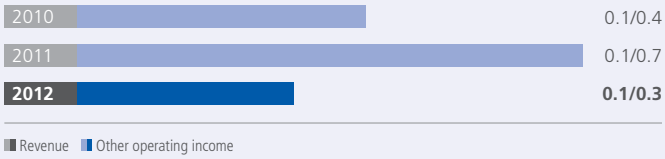
Overall, the company's financial performance and financial position developed according to plan. Existing cash and cash equivalents at the end of the reporting period secure the company's short-term financial requirements.

RESULTS OF OPERATIONS

As in the previous year, MOLOGEN's revenue of € 0.1 million in the 2012 financial year was, as expected, at a low level (2011: € 0.1 million). Among other things, this can be attributed to the sale of research-related goods and services. As fewer subsidies were received and/or realized in the reporting period than in the comparative period, the other operating income of € 0.3 million was below the previous year's figure (€ 0.7 million). Subsidies were granted by the European Union for the development of a leishmaniasis vaccine (MGN1331) and by the Bundesministerium für Bildung und Forschung (German Federal Ministry of Education and Research) for the development of a hepatitis B vaccine (MGN1333).

Revenue and other operating income

in million €



At € 1.8 million, material expenses were considerably less than in the previous year (2011: € 2.4 million) and were mainly incurred in relation to carrying out the clinical studies. The reduction in material expenses is the result of one-off effects from the previous year, caused by the purchase of raw materials, supplies and goods needed for the preparation of further clinical studies, which were not incurred again in the 2012 financial year. Other operating income increased slightly to € 2.7 million (2011: € 2.6 million), primarily as a result of an increased use of advisory services.

Personnel expenses increased by € 0.3 million to € 3.4 million (2011: € 3.1 million), caused by the slightly higher number of employees, one-off payments and salary adjustments. Hereby, personnel expenses in the amount of € 0.7 million (2011: € 0.7 million) relating to the granting of employee share options are non-cash effective.

Planned depreciation and amortization of assets of € 0.3 million is equal to last year's figure.

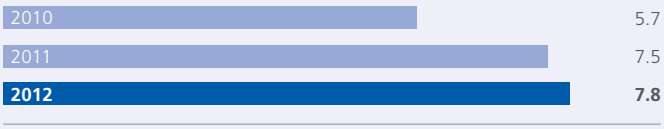
Financing revenue decreased to € 0.06 million (2011: € 0.11 million) due to considerably lower interest rates compared to the previous year.

€ 5.9 million of the total expenses were utilized for research and development in the 2012 financial year; this represents a slight decrease of about 3% (2011: € 6.1 million). This is primarily due to the reduced material expenses, as personnel expenses in research and development were higher compared to the previous year.

The annual deficit rose in the 2012 financial year to € 7.8 million and was therefore € 0.3 million above the loss of the comparative period (€ 7.5 million).

Annual deficit

in million €



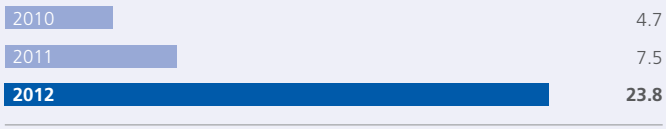
The considerably higher number of shares issued as a result of the capital measures compared to only a slightly higher annual deficit was decisive for the result per share, which rose to € -0.56 (2011: € -0.61).

NET ASSETS AND FINANCIAL POSITION

The assets as of December 31, 2012, included a large portion of cash and cash equivalents amounting to € 23.8 million (12/31/2011: € 7.5 million). The increase is due largely to the capital increase from authorized capital executed in 2012 and the related payment of a gross amount of € 24.7 million (previous year: € 10.0 million). In addition, the company received a total of € 0.5 million gross from the exercise of employee stock options.

Cash and cash equivalents

in milion €



Income derived from the capital increase was balanced out by the cash consumption within the scope of operating activities, incl. investments and expenses for equity procurement in the amount of € 8.9 million (2011: € 7.2 million).

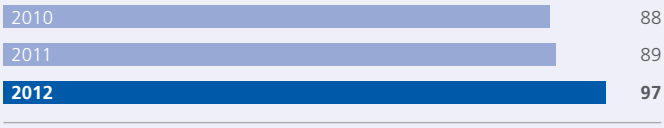
MOLOGEN was always in a position to meet its financial obligations in the past financial year.

As the amount of investments made in the 2012 financial year was less than the planned depreciation and amortization, the fixed assets as of December 31, 2012, of € 1.3 million were lower than as at the previous year's balance date (12/31/2011: € 1.5 million).

Liabilities are strongly marked by the recognized shareholders' equity of € 24.9 million (12/31/2011: € 8.7 million). The strengthening of shareholders' equity is attributable to the capital measures implemented in the previous financial year. The shareholders' equity ratio increased to 97% in comparison to the previous year (12/31/2011: 89%). MOLOGEN's share capital increased from € 12,459,275.00 by about 24% to € 15,412,449.00 as a result of the issue of new shares.

Shareholders' equity ratio

in %



In March 2012, the company executed a capital increase from authorized capital excluding the subscription rights of existing shareholders. By issuing 300,000 new shares at a price of € 9.00 per unit, the share capital was raised from € 12,459,275 to € 12,759,275. The company received cash and cash equivalents in a gross amount of € 2.7 million from this. The capital increase was entered in the relevant Commercial Register on April 23, 2012.

Shareholders were granted rights to new shares as part of the capital increase from authorized capital executed in June and July 2012 and the associated subscription offer. The subscription ratio was set at 4:1, i.e. four existing MOLOGEN shares entitle a shareholder to subscribe one new share at the subscription price of € 8.50. After the end of the subscription period, any unsubscribed shares were sold to interested investors during the course of an international private placement at a rate corresponding to the subscription price of € 8.50. A total of 2,589,819 new shares were issued. The cash inflow derived from the capital increase was a gross amount of € 22.0 million. The new shares are eligible for profits as from January 1, 2011. The capital increase was entered in the relevant Commercial Register on July 10, 2012.

During the 2012 financial year, 63,355 subscription rights were exercised by employees of the company and an equal number of new shares were issued. The cash inflow derived from this was a gross amount of € 0.5 million. The associated increase of the share capital was entered in the relevant Commercial Register in January 2013.

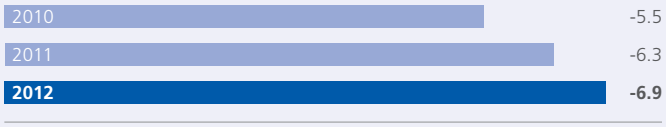
Current liabilities as of December 31, 2012 were reduced by € 0.2 million to € 0.9 million.

LIQUIDITY DEVELOPMENT

Funds of € 6.9 million used for the operating activity were above the previous year's figure (2011: € 6.3 million) and, to a great extent, flowed into research and development. The negative cash flow from the operating activity was due partly to a lower net annual income and partly to the fact that, contrary to the previous year, changes in working capital amounting to € -0.1 million had a negative effect on the cash flow derived from operating activities (2011: € 0.4 million).

Cash flows from operating activities

in million €



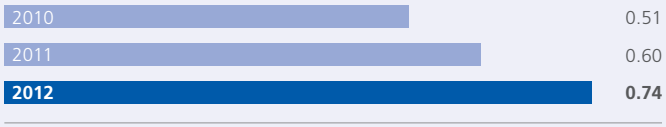
Funds utilized for investments were € 1.9 million above last year's amount (2011: € -2.3 million). The decisive factor for this was the maturity of a fixed-term investment made in 2011, which amounted to € 2.0 million and had a fixed term of six months in total.

Cash flows of € 23.4 million from financing activities was above last year's figures (2011: € 9.3 million). Here, the decisive factor was the inflow of funds from the capital increase for cash executed in the 2012 financial year minus the costs for equity procurement.

Cash consumption (incl. the consideration of payments from sales revenue and subsidies as well as the costs for equity procurement) averaged € 0.74 million per month (2011: € 0.60 million).

Average monthly cash utilization

in million €



ANNUAL FINANCIAL STATEMENTS OF MOLOGEN (HGB)

The annual financial statements of MOLOGEN are prepared according to the provisions of the German Commercial Code (Handelsgesetzbuch = HGB). The various accounting regulations result in differences in individual items included in the annual financial statements as of December 31, 2012, in terms of the HGB in comparison to the individual annual financial statements pursuant to Section 325 Para. 2a HGB in accordance with the IRFS, as applied in the EU.

The main reasons for this are:

- According to the provisions of the IFRS, as applied in the EU, when determining personnel expenses and capital reserves, the allocated fair value of the employee options granted must be considered.
- In the IFRS individual annual financial statements, as applied in the EU, deviating useful lives are sometimes used. This leads to differing depreciation and amortization.
- Costs which are directly attributable to the issue of new shares of employee options are recognized in shareholders' equity as a deduction from the issue proceeds.

The result of common business activities according to HGB is at the level of the annual results in terms of the IFRS, as applied in the EU. The result of common business operations according to HGB for the 2012 financial year was € -9.0 million (2011: € -7.5 million). Differences in the HGB annual financial statements compared to the IFRS individual annual financial statements arise for personnel expenses, other operating expenses as well as depreciation and amortization. Personnel expenses according to HGB do not include any expenses related to the issue of share options to the company's Management Board and employees and is therefore € 0.7 million (2011: € 0.7 million) less. In contrast, compared to the IFRS individual annual financial statements, costs in connection with equity procurement were recorded as an expense in personnel expenses and in other operating expenses totaling € 1.8 million (2011: € 0.7 million). In the 2012 financial year, as well as in the previous year, the varying useful life periods only led to minor differences in the amounts of the relevant depreciation and amortization for both annual statements.

As in the IFRS individual annual financial statements, the expenses recorded for research and development in the annual financial statements were slightly lower than in the previous year (2012: € 5.4 million; 2011: € 5.7 million).

The balance sheet total and shareholder's equity of the annual financial statements according to HGB are at the same level as in the IFRS individual annual financial statements. The differing treatment of granted share options, as well as the consideration of the costs for equity procurement in terms of the accounting guidelines according to the IFRS as applied in the EU and according to HGB, is balanced in the shareholders' equity.

With regard to the further analysis of the annual financial statements, reference is made to the paragraph "Financial performance and financial position" (analysis of the IFRS individual annual financial statements) included in this management report which also essentially apply to the annual financial statements.

The corporate governance statement pursuant to Section 289a HGB

The corporate governance statement pursuant to Section 289a HGB includes information on management practices, the description of the working method of the company's Management Board and Supervisory Board and the declaration of conformity to the German Corporate Governance Code. The corporate governance statement pursuant to Section 289a HGB is repeated in the annual report as part of the management report. After its publication, the annual report can be retrieved from MOLOGEN's website (www.mologen.com).

INFORMATION ON CORPORATE GOVERNANCE PRACTICES

MOLOGEN's corporate governance practices observe the legal provisions and guidelines. The company and its employees operate under the principle of moral and ethic values culminating in a fair, respectful conduct in conformity with the law. Considering the manageable size of the company, its flat hierarchies and the personal interaction with employees and business partners, no further corporate governance practices are necessary. The management and monitoring of the company is conducted in accordance with legal provisions and social norms and observes numerous provisions and regulations of the German Corporate Governance Code.

MOLOGEN's management structures and monitoring are represented as follows:

SHAREHOLDERS AND ANNUAL GENERAL MEETING

The shareholders of MOLOGEN exercise their rights in the Annual General Meeting. MOLOGEN's Annual General Meeting is held within the first eight months of the financial year. The chairman of the Supervisory Board or a member of the Supervisory Board nominated by the Supervisory Board chairs the Annual General Meeting. The Annual General Meeting decides on all those duties allocated to it by law (among others, election of the members of the Supervisory Board, changes to the company's bylaws, appropriation of earnings, capital measures).

SUPERVISORY BOARD

The Supervisory Board conducts its business according to legal provisions, the bylaws and its rules of procedure. The central task of the Supervisory Board is to consult and monitor the Management Board. In addition, the Supervisory Board is involved in the company's planning and strategy.

MOLOGEN's Supervisory Board currently consists of three members. As a result of this, the Supervisory Board has not formed any committees.

MANAGEMENT BOARD

The Management Board – as the leading organ of the public limited company – manages the company's business and, within the scope of the provisions governing corporate law, is bound to the interests and the company's business-policy principles. The members of the Management Board lead the company's business in consideration of the due diligence of a prudent business manager according to the stipulations of the law, the bylaws, the terms and conditions, the schedule of responsibilities and its service agreements.

The Management Board regularly reports to the Supervisory Board, in good time and comprehensively, about all significant issues related to business development, corporate strategy as well as risk management and compliance.

TRANSPARENCY

MOLOGEN places great value on providing unified, comprehensive and timely information to the capital market and to the interested public. MOLOGEN's business situation and results are reported in the annual report, at conferences with analysts, the press and via telephone, in quarterly reports, in the half-year report and at the Annual General Meeting.

Furthermore, information is published via press releases and ad-hoc notifications. All financial reports, notifications, presentations and notices can be read on the internet on MOLOGEN's website (www.mologen.com).

As prescribed by law, MOLOGEN keeps an insider register in terms of Section 15b of the German Securities Trading Act (Wertpapierhandelsgesetz = WpHG). Any person included in the register has been informed of the corresponding legal obligations and sanctions.

ACCOUNTING AND AUDIT

MOLOGEN's annual financial statement is prepared according the provisions of the German Commercial Code. In addition, the company also prepares individual annual financial statements pursuant to Section 325 Para. 2 HGB according to the International Financial Reporting Standards (IFRS) as applied in the EU. Once the Management Board has prepared the annual financial statements and the IFRS individual annual financial statements, they are then audited by the auditor and adopted by the Supervisory Board. The IFRS individual annual financial statements are published within 90 days after the end of the financial year and form a part of the annual report.

MOLOGEN's comprehensive annual financial statements according to the HGB are published in the Elektronischer Bundesanzeiger (Electronic Federal Gazette) and can be requested from the company or retrieved from the MOLOGEN website.

The auditor reports to the chairman of the Supervisory Board on all significant questions and events related to the duties of the Supervisory Board which become evident during the course of the audit.

RISK MANAGEMENT

MOLOGEN has an established risk management system and an internal control system. It is the responsibility of the Management Board to determine the scope and structure of the established systems on the basis of company-specific requirements.

MOLOGEN's risk management system is continuously adapted to meet new demands. The system can identify the effects of unfavorable developments due to a deficit or failure of processes, persons, systems or dangers of external events at an early stage.

A detailed, scientific and financial controlling system makes it possible to assure organizational safety measures. Clearly regulated work processes, planning, control and coordination that are appropriate to the risk situation can also assure even the most complex project activities.

The inspection of the risk management system is conducted by MOLOGEN's internal control system. Inspections within the scope of the internal control system are therefore also conducted directly by management.

CORPORATE MANAGEMENT PRACTICES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

MOLOGEN is a corporation under German law with a dual management system consisting of the two executive bodies, the Management Board and the Supervisory Board. The Management Board and the Supervisory Board have a close, trusting and co-operative relationship.

The Chief Executive Officer of MOLOGEN leads the operational business with focus on corporate strategy, research and development, business development and intellectual property. The Chief Financial Officer is also closely integrated in the operational activities; his main focus is accounting, controlling, investor relations and risk management. The project and division managers report on their projects and their individual departments directly to the Management Board.

The Supervisory Board appoints the members of the Management Board pursuant to Section 6 of the MOLOGEN bylaws. The Supervisory Board decides how many members should be on the Management Board, appoints them, decides whether there should be a chairman and decides whether to appoint deputy members or a vice chairman. The Supervisory Board adopts rules of procedure for the Management Board. These rules of procedure include a catalogue of business transactions which require approval as well as a schedule of responsibilities. The chairman of the Supervisory Board decides if the members of the Management Board should participate in meetings of the Supervisory Board. Finally, the Supervisory Board adopts the rules of procedure for itself.

The Management Board of MOLOGEN has consisted of two members since 2008; namely, a CEO and a CFO. The allocation of duties between both members is derived from the schedule of responsibilities. The Management Board takes part in all meetings of the Supervisory Board, reports both in writing and verbally with regard to the individual agenda items and resolution proposals and answers the questions posed by individual members of the Supervisory Board.

The agenda will be presented to the members of the Supervisory Board in writing two weeks prior to the meeting.

The Supervisory Board usually takes advantage of the option to adopt resolutions by way of a written circulation procedure in particularly urgent cases.

Each year, the chairman of the Supervisory Board outlines the activities of the Supervisory Board in its report to the shareholders and in the Annual General Meeting.

In particular the chairman of the Supervisory Board discusses current issues with the Management Board and is informed of current developments. This takes place either verbally during a personal meeting, by telephone or in writing.

CORPORATE GOVERNANCE

The German Corporate Governance Code includes internationally recognized standards for a good and responsible corporate management. In applying this Code, those regulations applicable in Germany for management and management supervision for national and international investors are to be made transparent. The objective of good corporate governance is to assure the competitiveness of the company and strongly increase its value.

MOLOGEN's Supervisory Board and Management Board are obligated to the objectives and values of the German Corporate Governance Code and actively implement the recommendations to a large extent.

As the Code is directed at all companies listed on the German stock exchange, some recommendations are, however, strongly tailored to large corporations. These are the recommendations that MOLOGEN in part does not implement. These and other deviations from the Code are named and explained by the Supervisory Board and the Management Board in terms of the provisions of the Stock Corporation Act in the joint declaration of compliance.

MOLOGEN's Supervisory Board and Management Board last issued a statement in February 2013 pursuant to Section 161 of the Stock Corporation Act. The following wording of the statement refers to the German Corporate Governance Code in the version of May 15, 2012. The current corporate governance statement has also been published on the MOLOGEN website (www.mologen.com).

DECLARATION OF COMPLIANCE 2013 PURSUANT TO SECTION 161 GERMAN STOCK CORPORATION ACT (AKTG)

The Management Board and the Supervisory Board declare that the recommendations of the German Corporate Governance Code in the current edition of May 15th, 2012 were and will be met by the company with the following exceptions:

The following numbers refer to the version of the Corporate Governance Code mentioned above.

2 Shareholders and Annual General Meeting

2.3.2 The German Corporate Governance Code recommends that the convocation of the Annual General Meeting to domestic and foreign financial service providers, shareholders and shareholder associations be transmitted via electronic means. This recommendation is not currently and also shall not in the future be complied with, since the technical requirements for a secure identification and addressing of the recipient are not met.

3 Cooperation between Management Board and Supervisory Board

3.8 The German Corporate Governance Code recommends the agreement of a deductible in a D&O insurance for the Supervisory Board corresponding to that to be agreed for the Management Board. The D&O insurance taken out for the Supervisory Board of MOLOGEN contains no deductible. The company does not consider that the motivation and the responsibility with which the members of the Supervisory Board fulfill their tasks, will be improved by a deductible in the D&O insurance.

4 Management Board

4.2.3 When concluding Management Board contracts it must be ensured in accordance with the German Corporate Governance Code that payments to a member of the Management Board upon premature termination of activity including fringe benefits do not exceed the value of two annual payments and shall be paid no longer than the remaining term of the employment contract.

The Code also recommends limiting commitments for payments in the event of premature termination of Management Board activity due to a change of control to a maximum of 150% of the compensation cap. The Supervisory Board has ensured that upon conclusion of the current service agreements of the members of the Management Board the commitments for payments in the event of a premature termination of the agreements, even due to a change of control, are limited. The upper limits agreed in the Management Board contracts currently lie above the values recommended by the Code and are displayed in the remuneration report. In the opinion of the Supervisory Board,

they offer the company sufficient protection against unreasonable compensation payments, so that the Supervisory Board saw no reason to insist on the observance of the limits mentioned in the Code.

Furthermore, the Code recommends the one-time information about the principles of the remuneration system and then about its changes provided at the Annual General Meeting by the Chairman of the Supervisory Board. The principles of the remuneration system for the Management Board, as well as its change, are outlined in the management report and reflected in the company's annual report. The Annual General Meeting was and is not again separately informed about the remuneration system and its changes, as the appropriate information as stated above is included in the company's annual report and is thus accessible to the shareholders.

4.2.5 The German Corporate Governance Code recommends disclosure of the total remuneration of each Management Board member in the notes or in the management report and the outline of the principles of the remuneration system in a remuneration report contained as part of the management report.

A description and explanation of these points is no longer recommended as part of the Corporate Governance report. Since the company so far outlines the remuneration of each Management Board member in the notes and the principles of the remuneration system within the remuneration report as part of the management report and shall also do so in the future, the company here fully complies with the new Code recommendations.

5 Supervisory Board

5.1.2 The German Corporate Governance Code recommends paying attention to diversity in the composition of the Management Board and striving for a reasonable consideration of women. The Supervisory Board considers it appropriate to select Management Board members not by criteria such as gender, orientation or race, but rather by their personality and their expertise. In this respect this recommendation was not and is not observed.

The Code also recommends a reappointment of Board members before expiry of one year before the end of the term of appointment in connection with the simultaneous termination of the current appointment only under special circumstances. In December 2012, the Supervisory Board has decided to repeal the appointment of Dr. Matthias Schroff, who would be on the Management Board until January 31, 2014, with immediate effect and to reappoint him as member and Chairman of the Management Board. The Supervisory Board is of the opinion that there were special circumstances for the reappointment on the aforementioned date. Dr. Schroff is co-inventor of several patents and has been working for the company since its founding. Due to his extensive knowledge of the technologies and product candidates of the company and due to his experience Dr. Schroff is indispensable to the company as a source of know-how – especially during the very important phase of the desired out-licensing of one of the product candidates. In the opinion of the Supervisory Board the early reappointment is therefore of great benefit to the company and justifies the use of the exemption of the Code.

The German Corporate Governance Code also recommends setting an age limit for Management Board members. The current service contracts of the Management Board members of MOLOGEN are limited and do not renew automatically. The Supervisory Board will, as previously, consider the age of candidates in its decision concerning the renewal of a service contract for the Management Board and shall, where applicable, adjust the contract duration accordingly. A fixed age limit was and is not set.

5.2 Responsibilities and authorities of the Chairman of the Supervisory Board/
5.3 Formation of Committees

The German Corporate Governance Code recommends the formation of professionally qualified committees by the Supervisory Board depending on the specific circumstances and the number of its members. It also makes recommendations with regard to the chair of the respective committees. So, for example, the Chairman of the Supervisory Board should simultaneously be Chairman of the committee which deals with the Management Board contracts and prepares the Supervisory Board meetings, but should not assume the chair of the Audit Committee. The Supervisory Board of MOLOGEN, which comprises three members, has so far formed no committees due to its small number of members. In particular, no audit or nomination committees were formed. As long as the number of members of the Supervisory Board is so low, no committees will be formed in the future either. Thus the recommendations of the Code with regard to the formation of committees and of the chair in such committees, which are listed in sections 5.2 and 5.3 and its subsections has so far and shall also in the future not be complied with.

5.4 Composition and Remuneration

5.4.1/5.4.2 According to the German Corporate Governance Code the Supervisory Board should designate specific targets for its composition in accordance with the company's specific situation which take into account the international activity of the company, potential conflicts of interest, the number of independent Supervisory Board members in the sense of 5.4.2, an age limit to be set for Supervisory Board members as well as diversity. These specific targets should in particular provide a reasonable participation by women. Proposals of the Supervisory Board at the competent electoral bodies should take these targets into consideration. The objective of the Supervisory Board and the state of implementation should be published in the Corporate Governance report.

After introduction of the diversity requirement into the Code there has so far been a renewal in the Supervisory Board whereby, in the view of the Supervisory Board, the diversity requirements have now been satisfied. An appropriate number of independent members also according to assessment of the Supervisory Board in the sense of 5.4.2 belong to the Supervisory Board. The Supervisory Board has, however, not set itself any specific targets for its composition and therefore no corresponding coverage can be made so far in the Corporate Governance report. Therefore as a precautionary measure a deviation from Clause 5.4.1 Para. 2 and 3 of the German Corporate Governance Code is explained. The Supervisory Board shall in the future take aspects of diversity into account, as far as possible. But the Supervisory Board believes it appropriate not to base proposals for future Supervisory Board members on criteria such as gender, orientation or race, but rather on their personality and their expertise. The setting of an age limit for the Supervisory Board is not intended, since in principle the expertise of experienced Supervisory Board members should also be made available to the company. An exclusion based solely on age does not appear appropriate to the Supervisory Board, especially since the term of office for Supervisory Boards stipulated by law and the bylaws provides a manageable timeframe for the mandates.

5.4.6 Remuneration of the Supervisory Board

The current edition of the Code recommends the declaration of remuneration or granted benefits for services performed personally by the Supervisory Board members itemized or broken down into components in the notes or in the management report. The recommendation regarding a separate description in the Corporate Governance Report is omitted. The remuneration paid to the members of the Supervisory Board and the remunerations or benefits granted for services performed personally were and will in the future also be specified in each case in only one position for the entire Supervisory Board in the notes according to legal requirements. In the opinion of the Management Board and Supervisory Board this creates a sufficient transparency.

6 Transparency

6.6 The German Corporate Governance Code recommends that the ownership of shares or related financial instruments, especially derivatives, by individual members of the Board and Supervisory Board should then be stated if it is directly or indirectly greater than 1% of the shares issued by the company. If the total ownership of all Management Board and Supervisory Board members exceeds 1% of the shares issued by the company, the total ownership should be stated separately according to Board and Supervisory Board. This recommendation was and shall not in the future be complied with. With regard to the publication of the ownership of shares by members of the Management Board and Supervisory Board, the company follows the legal provisions which in the view of the Management Board and Supervisory Board creates a sufficient transparency.

7 Accounting and Auditing

7.1.3 The current Corporate Governance Code no longer provides for the naming of specific details of the stock option programs and similar securities-based incentive systems of the company in the Corporate Governance Report as far as this information is already present in the annual financial statements, the individual annual financial statements or the remuneration report.

The company has already published this information within the annual financial statements and the individual annual financial statements and shall continue to do so in the future. From taking effect of the new edition of the Code the company thus follows comprehensively the recommendations on this point.

Information according to Section 289 Para. 4 HGB

As of December 31, 2012, the company's subscribed capital is € 15,412,449, divided into 15,412,449 ordinary bearer shares with no-par value (no-par value shares). The shares are fully liberated and admitted for trade on the regulated market (Prime Standard) at the Frankfurt Stock Exchange.

As far as the Management Board is aware, there are no restrictions affecting the voting rights or the transfer of shares even if these could result from agreements between the shareholders.

The company was notified of the following direct or indirect participations exceeding 10% of voting rights in its share capital in terms of Section 21 of the German Securities Trading Act (WpHG).

- Mr Thorsten Wagner, Germany: 27.55%
  (according to the notification dated October 2, 2012)
  Full voting rights must be granted to Mr Wagner in terms of Section 22 Para. 1 Sentence 1 No. 1 WpHG. The name of the company controlled by Mr Wagner whose voting right share in MOLOGEN is 3% or more, is: Global Derivative Trading GmbH, Lehrte, Germany.

  As a result, Global Derivative Trading GmbH, Lehrte, Germany registered participation in 27.52% of MOLOGEN's voting rights in an announcement made on October 2, 2012.

Beyond this, the Company was not notified of any direct or indirect participations exceeding 10% of voting rights in its share capital in terms of Section 21 of the German Securities Trading Act (WpHG).

There are no shareholders with special rights or other voting control.

The following rights are associated with holding company shares:

Other rights and duties are determined according to the German Stock Corporation Act (AktG). The appointment and dismissal of members of the Board occurs in accordance with Sections 84f. AktG. Amendments are made in accordance with the provisions of Sections 179ff. AktG in conjunction with Section 20 of MOLOGEN's bylaws. In addition, the Supervisory Board is authorized to adopt amendments affecting the wording of the bylaws only, in accordance with Section 15 of MOLOGEN's bylaws.

The shareholders have conferred the following authority to the Management Board with regard to issuing new shares or conversion rights or repurchasing company shares:

According to Section 4 Para. 3 of the bylaws and with the approval of the Supervisory Board, the Management Board is entitled to increase the share capital by issuing new, no-par bearer shares for cash and/or contributions in kind on one or more occasions up to June 6, 2016; such increase may, however, not exceed € 3,339,818 (authorized capital) and furthermore determine a commencement of the profit sharing in terms of Section 23 Para. 2 of the bylaws which deviates from the law. The new shares can also be taken over by a financial institution or consortium of credit institutions stipulated by the Management Board with the obligation to offer these new shares to the shareholders for purchase (indirect subscription right).

In addition, the Management Board shall also be entitled, with the consent of the Supervisory Board, to exclude the shareholders' subscription rights,

a) insofar as this is required to balance fractional amounts,
b) if the capital increase does not exceed ten percent of the share capital and the issue price does not significantly fall below the market price of the already listed shares of the company at the time of the final determination by the Management Board, or
c) for capital increases against payments in kind for the purchase of companies, shares in companies or participations in companies as well as assets which would be practical or useful for the company's operations such as, for example, patents, licenses, copyright user and exploitation rights as well as other intangible property rights.

Hereby, the Management Board is authorized, with the consent of the Supervisory Board, to determine the further details for the issue of the new shares.

In addition, the following conditional capital exists: 2009 – in terms of Section 4 Para. 5 of the bylaws, conditional capital of up to € 154,794; 2010 – in terms of Section 4 Para. 6 of the bylaws, conditional capital of up to € 610,151; 2011 – in terms of Section 4 Para. 7 of the bylaws conditional capital of up to € 238,393 and 2012 – in terms of Section 4 Para. 8 of the bylaws conditional capital of up to € 209,234. These conditional capital amounts serve towards the issue of options and conversion rights to members of the Management Board and to the company's employees.

Furthermore, according to Section 4 Para. 4 of the bylaws, there is a conditional capital 2008 of up to € 3,770,739 which serves for convertible bonds or bonds with warrants. Prior to June 1, 2013, the Management Board is authorized to issue on one or more occasions bearer and/or registered convertible bonds and/or bonds with warrants for a total nominal value of up to € 10,000,000 with a term of up to 10 years.

Finally, the Management Board is authorized to purchase its own shares in terms of Section 71 Para. 1 No. 8 of the Stock Corporation Act before June 7, 2015 up to a volume of 10% of the share capital for other purposes than trading in its own shares. Those shares purchased on the basis of this authorization can also be sold by means other than through the stock exchange or by an offer to all shareholders. The shareholders' subscription rights to these own shares are effectively excluded. The Management Board is also authorized to withdraw its own purchased shares with the approval of the Supervisory Board in part or in total without the requirement of a decision by the Annual General Meeting.

Compensation report

The remuneration of members of the Management Board includes fixed and variable performance-based components. As of January 1, 2013, the fixed remuneration is € 250 thousand per annum (previously € 180 thousand). The amount of the variable compensation component (maximum € 360 thousand p.a.) is dependent on the attainment of the respectively agreed success criteria.

Part of the success criteria includes the attainment of research and development-focused goals, the attainment of objectives in the implementation of the company's commercialization strategy as well as the assurance of sufficient liquidity to finance research and development activities. The sum of the variable compensation components, bonus payments and special compensation is limited by a maximum amount. In particular research and development-orientated success criteria, as well as the objectives to implement the company's commercialization strategy, is determined by the Supervisory Board before the beginning of a financial year.

Furthermore, following a resolution of the Annual General Meeting, MOLOGEN had introduced various employee participation programs in the past and issued the respective stock options to members of the Management Board.

Should the company's position decline after the determination of the overall compensation of the Management Board members in such a way that a further payment of the compensation were to be unreasonable for the company, the Supervisory Board would have the right to unilaterally reduce the compensation amounts in consideration of legal provisions. In the event of extraordinary developments, the Supervisory Board is additionally entitled, at its own discretion, to limit the variable compensation component; this restriction must not be unreasonable.

A further cash-value benefit also includes taking out occupational disability insurance cover at the member's request. The members of the Management Board also receive subsidies for their health insurance up to a maximum amount of the legal employer contributions for voluntary insured persons as well as compensation for expenses which they incur as a result of their activity.

In addition, the company, as the policyholder, has taken out directors and officers liability insurance (D&O insurance) cover for the members of the Management Board; this liability insurance covers the activities of the Management Board as prescribed by law. The statutory required minimum deductible is taken into consideration.

In the event of a premature termination of the employment contract by the Supervisory Board or a premature amicable revocation of the contract, each member of the Management Board shall receive a severance pay in the amount of 1.5 times the fixed annual compensation plus all variable compensation components achieved up until this point in time. This is subject to the condition that the contract, as far as it was terminated prematurely by the Supervisory Board, was not terminated due to willful intent or a grossly negligent breach of duty or as a result of a dismissal of an organ or for another important reason.

In the event of a premature termination of the employment contract following the proclamation of a so-called change of control, the employment contracts of the Management Board also provide for a severance pay. This amount shall be two times the fixed annual compensation plus all variable compensation components achieved up until this point in time in addition to the discounted sum of 5.0% of the maximum variable remuneration components which can be achieved during the original remaining term of the contract. Regarding this, it is irrelevant whether the contract was terminated by the company or amicably.

Regulations have also been made with regard to a temporary inability to work, a permanent inability to work or in the event of the death of a member of the Management Board. The employment contracts for the Management Board provide that in the event of a temporary inability to work, the compensation will continue to be paid taking into consideration the sick benefits paid by the health insurance company during the period of the inability to work for a duration of up to six months, however, not longer than the end of the agreed term of the employment contract of the relevant Management Board member. In the event of a permanent inability to work, the employment contract of the relevant member of the Management Board ends in the quarter in which the inability to work was determined. In the event of the death of the relevant member of the Management Board, the benefits for the month in which the death occurred and the following three months must be paid; however, no longer than up until the end of the agreed term of the relevant employment contract. In addition, the variable remuneration components due to the affected member of the Management Board for the relevant year up until his death shall also be paid.

The remuneration for the members of the Management Board is decided by the Annual General Meeting. Members of the Supervisory Board receive a fixed remuneration (€ 20 thousand p.a.) as well as an attendance allowance for each meeting they personally attend. In addition, they also receive compensation for expenses which they incur as a result of their activity. Furthermore, the members of the Supervisory Board receive a performance-oriented variable remuneration starting from a positive result of € 0.05 per share according to IFRS as applied in the EU; the maximum amount is restricted to € 20 thousand per annum and per member. The chairman receives twice this amount. The performance target increases by € 0.01 for each financial year after 2010.

The remuneration of the members of the Advisory Board conforms to the rules of procedure of the Advisory Board as adopted by the Management Board and the Supervisory Board and lies between € 10 thousand and € 30 thousand. In addition, the members of the Advisory Board also receive an attendance allowance. The Scientific Advisory Board was dissolved on December 31, 2012.

Further information in this regard can be found in the notes to the annual financial statements.

Risk report

RISK MANAGEMENT SYSTEM

MOLOGEN is a company that researches and develops innovative product candidates with the use of primarily self-developed technologies.

Any corporate action is based on weighing up risks and opportunities. At MOLOGEN, risk management takes place within the scope of a company strategy which subjects the company to a specially defined opportunity-risk-profile. The company success and the achievement of company objectives are decisively influenced by management and risk diversification.

For this purpose, MOLOGEN established a risk management system and an internal control system (ICS). It is the responsibility of the Management Board to determine the scope and structure of the established systems on the basis of company-specific requirements.

The rapidly changing conditions in the pharmaceutical market as a result of technological developments and developments in health policy, the use of new technologies as well as the complexity of the business processes and the business model lead to complex management tools. This requires risk management to be an ongoing process of the strategic corporate management. The basis for this risk management process is the strategy which clearly regulates which risks are to be recognized and managed in due time and when this becomes appropriate.

The identified risks are evaluated. In order to control and reduce the determined risk potential, counter-measures are decided on and responsibilities allocated accordingly. As parts of the risks are outside the sphere of influence of the Management Board, even appropriate and functional established systems cannot guarantee absolute safety for the identification and management of risks. In this respect, this could result in developments which deviate from the Management Board's plan.

The risk management system of MOLOGEN is continuously adapted to meet new demands. The system can identify the effects of unfavorable developments due to a deficit or failure of processes, persons, systems or dangers of external events at an early stage.

A detailed, scientific and financial controlling system makes it possible to assure organizational safety measures. Clearly regulated work processes, planning, control and coordination that are appropriate to the risk situation can also assure even the most complex project activities. In addition, if necessary, the project progress is monitored and documented at regular intervals with the relevant collaboration partners.

The inspection of the risk management system is carried out by the internal control system (ICS) of MOLOGEN. Inspections within the scope of the internal control system are also carried out directly by management.

The primary focus of risk management has always been and remains the monitoring of the company's liquidity situation and share capital. Based on revenue that has so far primarily been attributable to one-off effects, future income is very hard to predict. Therefore, an accurate monitoring of risks in connection with the development of liquidity and share capital is extremely important for the company's continuation.

Underlying objectives of the risk management system are focused on the areas of accounting processes, in particular the identification and evaluation of risks which could contradict the objective of the regulation conformity of the financial statements, the limitation and the examination of recognized risks with regard to their influence on the financial statements and the corresponding depiction of these risks. The objective of the ICS in the accounting process is to guarantee sufficient safety through the implementation of controls so as to establish financial statements that are conform to regulations despite identified risks.

Significant risks are identified, documented and monitored in order to achieve these objectives. Binding instructions and checklists, which do justice to the identification of risks and can be further developed if required, regulate the most important work processes. In turn, instructions and checklists are regularly checked by the ICS. This also includes the examination of the compliance with accounting regulations, the status of funds and the organization of business transactions by way of regular and random controls.

In particular, the following points are checked: incoming and outgoing invoices, bank statements and bank balances, all payments received, pay-roll lists, reports to the Supervisory Board, quarterly reports and contracts. The second important element of the ICS is the four-eyes principle which is particularly documented by signing powers for payments and the absence of sole representational authorization of the company's management.

The functionality of the internal control and risk management system in regard to the accounting process undergoes regular, internal checks primarily by management as well as externally by the auditors within the scope of the audit of the annual financial statements.

At MOLOGEN, risk management is subject to continuous further development. Management and employees are therefore in a position to regularly recognize new challenges and to adapt to them.

RISKS OF THE COMPANY

The extraordinary revenue opportunities of the MOLOGEN business model are offset against technological, financial, regulatory, patent-law and in particular sales risks. The individual risks are partly related and could have either a positive or a negative influence on each other.

As a biotechnology company, MOLOGEN is primarily exposed to the standard risks in the industry. For example, the research and development of new drugs includes the risk that a new development of a drug does not have the desired product characteristics, in particular in the areas of efficacy and tolerability or that these characteristics cannot be sufficiently proven. At MOLOGEN, in particular unpredictable problems can occur during the current preclinical and clinical development of the drug candidates. If preclinical studies or clinical studies do not show the required results, this could delay the further development of the affected drug candidate and make it more expensive or even lead to the discontinuance of such further development. This could have negative effects on the financial performance and financial position.

The regulatory environment for drug development also entails industry-specific risks. MOLOGEN is dependent on official authorizations to perform clinical studies, for the production of investigational medicinal products and to operate special facilities to perform research work or produce active substances and clinical investigational medicinal products. Delays, loss, expiry or non-granting of such authorizations could delay the development of drug candidates, make them more expensive or lead to their discontinuation. This could have negative effects on the financial performance and financial position.

In order to be fully able to develop revenue potential, MOLOGEN is not only dependent on the successful research and development of its own technologies and product candidates but also on the development of the market for these product candidates.

MOLOGEN has focused on the research and development of new cancer therapies for which there continues to be a very high demand. There continues to be an annual increase in the number of cancer patients as well as in the number of cancer-related deaths. Consequently, the field of effective cancer drugs remains a strong growth market. The future market development, however, depends on various factors such as, for example, cost pressure of the health systems, possible new statutory regulations in the health market and pharmaceutical law. Certain developments could therefore have negative consequences on the market potential of MOLOGEN's drug candidates and detrimental effects on the financial performance and financial position.

MOLOGEN's business model envisages executing the development of its own drugs up to a certain stage and then to sell the licenses for the drug candidates to another biotechnology company or a pharmaceutical partner. The number of such potential licensees is restricted and relatively small in the area of large pharmaceutical companies.

Further consolidation in the industry, as could be observed over the last few years, may also lead to a further reduction in the number of licensees. This could have a negative effect on the financial scope of a license agreement and a consequential detrimental effect on the financial performance and financial position.

Successful outlicensing of the drug candidates depend on a number of different factors. Hereby, the decisive factor is the drug candidate's potential compared to its competitors. Should competitors develop clearly superior drugs, this could have a significant negative impact on the chances for success for the lucrative outlicensing of MOLOGEN's product candidates.

Apart from this, the effective protection of the product candidate's underlying know-how is a significant aspect for a successful outlicensing. Problems related to license and patent law could prevent or delay the conclusion of corresponding business transactions or reduce the commercial attractiveness of MOLOGEN's product candidate.

Even if patents, by rights, develop an assumption for their effectivity, the granting of these patents does not necessarily mean that they are actually effective or that such possible patent claims can be enforced to the required or desired extent. No guarantee can be assumed that patents will not be challenged, declared invalid or circumvented. It cannot be excluded that third parties infringe on MOLOGEN's patents. At the same time, as MOLOGEN's competitors also register a large volume of inventions and receive appropriate patent protection, it can also not be excluded that MOLOGEN itself does not infringe on patents or other protective rights of third parties. Should this be the case, MOLOGEN would then be prevented from using the affected technologies in the relevant countries in which such protective rights were granted. There is, however, no guarantee that in future MOLOGEN will receive the necessary licenses to the required extent and to reasonable conditions as would be necessary for their business success. All of the above could have negative effects on the financial performance and financial position.

In general, MOLOGEN's sale of licenses for technologies and drug candidates cannot be accurately forecast either in terms of time or volume. Based on the complexity of granting a license and the number of questions to be clarified in this regard, the actual time of a contractual agreement cannot be reliably predicted. For example, this could depend on the scope of the resources on the part of the potential contractual partner for such contractual negotiations, on the extent of the questions to be clarified with regard to patients, clinical data, preclinical data or other details as well as other factors over which MOLOGEN has either no or only restricted influence.

In addition, a successful outlicensing can also not be guaranteed even if the clinical development of the relevant drug candidate is positive, the desired product characteristics can be proven, patents are considered reliable and a market potential exists. When it comes to granting licenses, MOLOGEN has no influence on the positive decision of the potential contractual partner.

MOLOGEN works on preclinical and clinical development with so-called CROs (Contract Research Organizations or Clinical Research Organizations), that specialize in planning and implementing clinical studies. The risks of this type of cooperation are associated with identifying CROs that are suitable for the conditions that MOLOGEN represents in good time, and with whether the CROs deliver the contractually agreed services, particularly with regard to quality and punctuality. These factors could both cause MOLOGEN considerable additional expense for its clinical development program.

The cell bank which MOLOGEN uses as the basis for its cell-based cancer therapy MGN1601 is unique. To minimize the risk of the loss of this cell bank, MOLOGEN has deposited a sample with the German Collection of Microorganisms (Deutsche Sammlung von Mikroorganismen = DSM) and stored the cell bank at two separate locations in Germany. A total or partial loss can nevertheless not be eliminated.

Depending on its extent, a partial loss could be associated with considerable costs. In the event of a total loss, the drug candidate MGN1601 could no longer be manufactured and further development would have to cease and the investments made so far would be lost.

The activities of MOLOGEN in countries outside Europe entail country-specific risks. As far as possible, MOLOGEN will try to adopt suitable measures to ensure against these risks. These risks could have negative effects on the financial performance and financial position.

As part of the implementation of its company strategy, in the past financial years MOLOGEN was already able to conclude various contracts with pharmaceutical and sales and/or marketing partners; the annual revenue achieved so far is, however, not yet sufficient for MOLOGEN's financing requirements and to show profitability. The company will therefore continue to be dependent on concluding further contracts in future. As long as license and marketing contracts do not provide sufficient revenue to cover the company's expenses, it will remain dependent on other financing sources such as, for example, the capital market. As far as the strived business contracts are delayed or the financing is not possible – or not sufficiently possible – from other sources, this would have negative effects on MOLOGEN's financial performance and financial position.

As MOLOGEN incurred losses in previous years due to its extensive research and development costs, these losses have meanwhile added up to a relatively high accumulated deficit. It cannot be excluded that further losses – which are due to MOLOGEN's business model – may result in a notifiable loss of half of the share capital.

Such notification could have a negative effect on MOLOGEN's share price, and the statutorily required immediate calling of an extraordinary Annual General Meeting would also lead to additional financial expenses. In addition, there is a risk that the current tax loss carried forward may be partially or fully derecognized due to changes in the ownership structure of MOLOGEN in accordance with Section 8c Corporation Tax Code.

MOLOGEN receives funding for individual development projects through a range of funding programs. However, due to complex rules and accounting and detection methods, MOLOGEN may have to repay these funds in whole or in part because of incorrect billing or other infringements of the underlying conditions. This could have a direct effect on the company's financial performance and financial position.

The loss of services provided by the members of the Management Board, other executives or employees in key functions can have a negative effect on MOLOGEN's financial performance and financial position. This can be caused by a loss of know-how, by costs for the recruitment of new employees or higher salary demands of qualified candidates.

In addition, financial risks can ensue as a result of disputes with current or previous business partners. Depending on the outcome of such disputes, there could be a negative effect on MOLOGEN's financial performance and financial position. Currently, financial risks could arise from a lawsuit which the company initiated before a Saudi Arabian court in September 2009 against a previous business partner in connection with a joint venture contract that was terminated in 2006. MOLOGEN demanded the repayment of deposits which were made to the joint venture and the compensation of expenses. Overall, MOLOGEN's claim against the previous business partner amounted to € 1.5 million. Within the scope of the legal dispute, the defendant alleged claims in the amount of € 0.5 million, compensation of expenses of € 3 million and claims for damages of at least € 20 million.

This document was not sent to the trial representatives of MOLOGEN, and MOLOGEN's legal action was terminated in 2010 due to the incompetence of the court at first instance. Consequently, MOLOGEN is currently unable to assess whether this asserted counter-claim actually exists and/or whether the previous business partner will take action for this possibly existing claim at another court in future. A risk of utilization of MOLOGEN remains unclear at this time.

All in all, the described risks are controllable and the continuation of MOLOGEN up to the time of the existing report is not endangered. Compared to the previous year, there has been no significant change in the overall risk situation as a result of the individual risks described above. From today's point of view, no fundamental change in the risk situation is expected.

OPPORTUNITIES FOR THE COMPANY

In particular the drug candidates under clinical development will reach further important milestones in the short to medium term. According to MOLOGEN's assessment, the entry of product candidates into clinical studies, the conclusion of individual study phases as well as positive study results should not only result in an increase in value of the relevant product candidate but also in the overall value of the company.

In addition, MOLOGEN plans to enter into partnerships with companies in the pharmaceutical or biotechnology industry for its product candidates, and grant licenses for the commercial exploitation of the product candidates.

Should MOLOGEN be successful in this venture – depending on the market potential and development status of the relevant drug candidate – this would result in significant license payments for MOLOGEN. According to MOLOGEN's estimation, the conclusion of such contracts would also result in an increase in value of the company.

Furthermore, pharmaceutical or biotechnology companies are not only interested in acquiring licenses for promising drug candidates. There are always examples of companies with attractive technologies or drug candidates being acquired. In many cases sums are offered which are clearly above the market price of the relevant company. MOLOGEN's shareholders could also benefit from this kind of scenario.

Supplementary report

There have been no major developments or events of particular significance after the end of the reporting period on December 31, 2012.

Outlook and forecast

The internal planning system applied to forecast the company's future development at all times, always considers experience and developments from the previous course of business. This internal planning system is regularly adjusted on the basis of target versus actual comparisons and current developments. The reliability of the forecast could be proven for the 2012 business plan. The forecasts were partially met and the development of MOLOGEN proceeded according to plan within the expected corridor during the last financial year.

OBJECTIVES

In general, the corporate strategy is geared towards achieving high returns on a medium and long-term basis through the research and further development of the innovative product pipeline. Therefore, MOLOGEN will continue to drive the development of the product pipeline forward over the next two years and utilize a significant portion of available funds for this purpose.

Accordingly, the objectives for the 2013 financial year are predominantly in the area of research and development. In the field of oncology, MOLOGEN is planning a clinical study to examine the efficacy of MGN1703 for the treatment of metastatic colorectal cancer, subject to approval by the regulatory authorities in Europe and the USA. The aim is to conduct the study with a licensing partner. There are also plans to test the product candidate in the lung cancer indication and to begin the requested phase II clinical study.

In addition, the development of the drug candidate MGN1601 is to be continued. Important objectives here are to apply for and begin further clinical studies to test the efficacy of MGN1601 for metastatic renal cancer.

In the field of infectious diseases, there are plans for the continued development of the leishmaniasis vaccine MGN1331 in particular. Should MOLOGEN succeed in acquiring enough grants, the aim is to begin the clinical development of MGN1331 in cooperation with its international project partners and to start the preparations for this in 2013.

In the field of cooperation and partnerships, MOLOGEN aims to conclude a license agreement for the cancer medicine MGN1703 with a partner in the pharmaceutical industry.

The cooperation with the Charité University Medical Department in Berlin and the Max Delbrück Centrum in Berlin-Buch will also be continued, in which a clinical study with a MIDGE®-based cancer immunotherapy is to be carried out.

RESULTS AND LIQUIDITY POSITION

The development of the financial performance and financial position in the next two financial years primarily depends on the progress of the clinical development programs for the cancer drug candidates MGN1601 and MGN1703. The required measures and investments will also be to the detriment of a short-term positive result development in 2013 and 2014. Against this background, MOLOGEN is once again expecting a negative annual result and an increase in losses, particularly in 2013. Should work in the relevant projects be successful and the objectives – as stated – be reached, a positive development of the financial and earnings situation can be forecast. Should the outlicensing for the drug candidate MGN1703 be successful – and depending on the actual design of the relevant contracts – this could lead to positive annual results.

DIVIDENDS

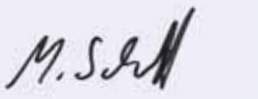
Due to the accumulated deficit as of December 31, 2012, it is not possible to pay any dividends to the shareholders at this time. The company does not assume that it will be able to pay dividends in the foreseeable future. According to standard practice in the biotechnology industry, future profits derived from business activities are mainly reinvested in the further development of the product pipeline and the operative business activity so as to consistently increase the value of the product pipeline and subsequently also that of the company.

OVERALL STATEMENT ON FUTURE DEVELOPMENT

The successful further development of the product pipeline in 2012 and the good financial supply form the foundation for MOLOGEN's positive development. The progress planned in 2013 for the clinical development programs should continue to increase the value of the product pipeline. MOLOGEN will therefore begin the new financial year with good chances for success.

Berlin, February 25, 2013

Management Board of MOLOGEN AG



Dr. Matthias Schroff
CEO

Jörg Petraß
CFO

IFRS STATEMENT OF FINANCIAL POSITION

as of December 31, 2012

EUR'000	Notes	Dec. 31, 2012	Dec. 31, 2011
ASSETS			
Non-current assets		**1,328**	**1,523**
Property, plant and equipment	1	178	134
Intangible assets	2	1,147	1,385
Other non-current assets	3	3	4
Current assets		**24,457**	**8,308**
Cash and cash equivalents	4	23,777	5,476
Fixed-term deposits with a term of more than three months	4	0	2,000
Trade receivables	5	3	6
Inventories	6	21	33
Other current assets	7	612	756
Income tax receivables	7	44	37
Total		**25,785**	**9,831**
EQUITY AND LIABILITIES			
Non-current liabilities		**9**	**11**
Deferred income	8	9	11
Current liabilities	9	**882**	**1,109**
Trade payables		483	737
Other current liabilities and deferred income		398	369
Liabilities to banks		1	3
Shareholders' equity		**24,894**	**8,711**
Issued capital	10	15,412	12,459
Capital reserves	11	65,621	44,552
Accumulated deficit	12	-56,139	-48,300
Total		**25,785**	**9,831**

IFRS STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to December 31, 2012

EUR'000	Notes	Jan. 1 – Dec. 31, 2012	Jan. 1 – Dec. 31, 2011
Revenue	13	60	137
Other operating income	14	271	675
Cost of materials	15	-1,763	-2,384
Personnel costs	16	-3,414	-3,126
Depreciation and amortization	17	-311	-292
Other operating expenses	18	-2,735	-2,604
Profit (loss) from operations		**-7,892**	**-7,594**
Finance costs	19	-2	-1
Finance income	19	55	110
Profit (loss) before taxes		**-7,839**	**-7,485**
Tax income	20	0	0
Profit (loss) for the year		**-7,839**	**-7,485**
Loss carried forward		-48,300	-40,815
Accumulated deficit		**-56,139**	**-48,300**
Basic earnings per share (in €)	21	-0.56	-0.61
Diluted earnings per share (in €)	21	—	—

IFRS STATEMENT OF CASH FLOWS

for the period from January 1 to December 31, 2012

EUR'000	Notes	Jan. 1 – Dec. 31, 2012	Jan. 1 – Dec. 31, 2011
	22		
Cash flows from operating activities			
Earnings before taxes		-7,839	-7,485
Depreciation and amortization of intangible assets and property, plant and equipment		311	292
Profit (loss) from disposal of intangible assets and property, plant and equipment		-2	0
Other non-cash expenses and income		658	518
Change in trade receivables, inventories and other assets		153	-18
Change in trade payables and other liabilities		-227	397
Net cash used in operating activities		**-6,946**	**-6,296**
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		2	1
Cash payments to acquire property, plant and equipment		-98	-18
Cash payments to acquire intangible assets		-19	-250
Cash payments to acquire financial investments within the cash management and forecast (fixed-term deposits with a term of more than three months)		2,000	-2,000
Net cash used in investing activities		**1,885**	**-2,267**
Cash flows from financing activities			
Cash proceeds from issuing shares		23,362	9,311
Net cash used in financing activities		**23,362**	**9,311**
Effect of exchange rate changes on cash		**0**	**6**
Total changes in cash and cash equivalents		**18,301**	**754**
Cash and cash equivalents at the beginning of the period		**5,476**	**4,722**
Cash and cash equivalents at the end of the period		**23,777**	**5,476**
Fixed-term deposits with a term of more than three months at the end of the period		0	2,000
Liquid funds at the end of the period		**23,777**	**7,476**

IFRS STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to December 31, 2012

EUR'000, except share values	Issued capital		Capital reserves	Accumulated deficit	Shareholders' equity
	Number of ordinary shares	Share capital			
As of Dec. 31, 2010	**11,213,348**	**11,213**	**35,804**	**-40,815**	**6,202**
Capital increase in exchange for cash contributions	1,245,927	1,246	8,065		9,311
Value of services rendered by employees (according to IFRS 2)			683		683
Profit (loss) for the year				-7,485	-7,485
As of Dec. 31, 2011	**12,459,275**	**12,459**	**44,552**	**-48,300**	**8,711**
Capital increase in exchange for cash contributions	2,889,819	2,890	20,019		22,909
Share options exercised	63,355	63	390		453
Value of services rendered by employees (according to IFRS 2)			660		660
Profit (loss) for the year				-7,839	-7,839
As of Dec. 31, 2012	**15,412,449**	**15,412**	**65,621**	**-56,139**	**24,894**

IFRS STATEMENT OF CHANGES IN FIXED ASSETS

for the period from January 1 to December 31, 2012

EUR'000	I. Property, plant and equipment		
	Technical equipment and machinery	Operating and office equipment	Total
Acquisition/manufacturing costs:			
As of Jan. 1, 2011	733	368	1,101
Additions	2	16	18
Disposals	1	80	81
As of Dec. 31, 2011	734	304	1,038
Additions	61	37	98
Disposals	6	12	18
As of Dec. 31, 2012	**789**	**329**	**1,118**
Depreciation and amortization:			
As of Jan. 1, 2011	640	288	928
Additions	17	39	56
Disposals	0	80	80
As of Dec. 31, 2011	657	247	904
Additions	18	36	54
Disposals	6	12	18
As of Dec. 31, 2012	**669**	**271**	**940**
Carrying amount:			
As of Jan. 1, 2011	93	80	173
As of Dec. 31, 2011	77	57	134
As of Dec. 31, 2012	**120**	**58**	**178**

II. Intangible assets		III. Financial assets		Fixed assets
Purchased software, technologies, patents and licenses, and other rights	Total	Other loans	Total	Total
3,964	3,964	370	370	5,435
250	250	0	0	268
0	0	370	370	451
4,214	4,214	0	0	5,252
19	19	0	0	117
0	0	0	0	18
4,233	**4,233**	**0**	**0**	**5,351**
2,593	2,593	370	370	3,891
236	236	0	0	292
0	0	370	370	450
2,829	2,829	0	0	3,733
257	257	0	0	311
0	0	0	0	18
3,086	**3,086**	**0**	**0**	**4,026**
1,371	1,371	0	0	1,544
1,385	1,385	0	0	1,519
1,147	**1,147**	**0**	**0**	**1,325**

NOTES

according to IFRS for the 2012 financial year

A. General information on the company

Mologen AG (hereinafter: MOLOGEN) is a stock corporation as defined under the law of the Federal Republic of Germany with its headquarters in Berlin (Fabeckstrasse 30, 14195 Berlin, Germany). It was founded on January 14, 1998, and is registered in the Berlin-Charlottenburg District Court commercial register under HRB 65633 B. The shares of the company are listed on the Regulated Market (Prime Standard) at the Frankfurt Stock Exchange under ISIN DE0006637200.

The objective of the company is the research, development and marketing of products in the area of molecular medicine. This particularly encompasses biomolecular vaccines, application-related clinical research for biomolecular tumor therapy, and somatic gene therapy. The main focus of research is the MIDGE® and dSLIM® technologies patented by MOLOGEN. These facilitate the use of DNA as a drug for diseases that were previously untreatable or for which treatment is insufficient.

B. General information on the financial statements

PRINCIPLES

These individual financial statements of MOLOGEN (hereinafter: financial statements) have been prepared in accordance with the provisions of Section 325 Para. 2a of the HGB (German Commercial Code) regarding the publication of individual financial statements according to the International Accounting Standards specified in Section 315a Para. 1 of the HGB.

These financial statements of MOLOGEN have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as applied in the EU. The International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) – formerly known as the Standards Interpretation Committee (SIC) – as applied in the European Union, have likewise been adopted for these financial statements.

The financial year for these financial statements is the period from January 1, 2012 to December 31, 2012. The comparison period for these financial statements is the period from January 1, 2011 to December 31, 2011.

The "going-concern principle" is applied in the valuation of assets and liabilities.

The functional and presentation currency in the financial statements is the euro (€). To improve readability, numbers are rounded and stated in thousands of euros (EUR'000), unless otherwise specified.

The statement of comprehensive income was prepared using the total cost accounting.

IFRS 8, "Operating Segments," was not applied, because the technologies and product candidates of MOLOGEN are still in the research stage. It is not possible to definitively allocate cash flows and corresponding expenses to individual product candidates and technologies, because different combinations of both MOLOGEN's own and licensed technologies are used for different product candidates. No information benefit would be gained from the expense and earnings information available from segment reporting as compared to the other components of the financial statements.

APPLICATION OF NEW AND AMENDED FINANCIAL REPORTING STANDARDS

Application of the following statement of the IASB is mandatory for financial years that start on or after July 1, 2011. It was applied by MOLOGEN for the first time. The application had no material effects on the presentation of MOLOGEN's financial performance and financial position.

IFRS 7	Financial instruments: Disclosures	Enhanced disclosure requirements for the transfer of financial assets that result in a complete or partial failed derecognition or for which continuing involvement must be reported.

The following new and amended standards and interpretations have been adopted but are not yet in effect, and adoption by the EU is not yet complete. MOLOGEN did not apply them ahead of time.

IFRS 1	First-time application of International Financial Reporting Standards [1]	The amendments concern loans from public authorities at interest rates lower than market. A complete retrospective application is not necessary.
IFRS 1	First-time application of International Financial Reporting Standards [1]	The references to the fixed transition date, "January 1, 2004," are replaced with references to the "time of transition to IFRS." Application guidelines are made available. They regulate how to proceed with the presentation of financial statements conforming to IFRS if a company is temporarily unable to comply with IFRS provisions because its functional currency is subject to hyperinflation.
IFRS 9	Financial Instruments [3]	Covers the reporting, classification and measurement of financial instruments and replaces IAS 39.
IFRS 10	Consolidated Financial Statements [4]	The standard replaces the consolidation guidelines in IAS 27 and SIC-12.
IFRS 11	Joint Arrangements [4]	This new standard replaces IAS 31.
IFRS 12	Disclosure of Interests in Other Entities [4]	Improved disclosures for consolidated and nonconsolidated companies with which a company is involved are required.
IFRS 13	Fair Value Measurement [1]	Fair value is defined, measurement guidelines are made available, and disclosures on the determination of the fair value are required.
IFRS 7	Financial instruments: Disclosures [1]	Requires disclosures on all financial instruments reported on the statement of financial position that, in accordance with IAS 32, are netted or are subject to an enforceable global offsetting or similar agreement.
IFRS 9 and IFRS 7	Financial Instruments and Disclosures [3]	Date of mandatory adoption of IFRS 9 and information regarding the transition.
IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities; Transition Guidelines [1]	The adjusted comparative figures to be stated are limited to the comparison period immediately prior to initial adoption. The requirement to disclose comparative information upon initial application of IFRS 12 for entities structured as nonconsolidated is deleted.
IFRS 10, IFRS 12, IAS 27	Consolidated Financial Statements, Disclosure of Interests in Other Entities, Consolidated and Separate Financial Statements [2]	Exceptions regarding consolidation are stipulated. They apply when the parent company meets the definition of an "investment company."
IAS 12	Income Taxes [1]	Introduction of a refutable presumption that book value is generally realized upon disposal.
IAS 19	Employee Benefits [1]	The corridor method is abolished, and finance costs are calculated on a net basis.
IAS 27	Consolidated and Separate Financial Statements [4]	The provisions for separate financial statements remain unchanged, while the provisions regarding governance by IFRS 10 are adopted.
IAS 28	Investments in Associates and Joint Ventures [4]	Consequential amendments due to the publication of IFRS 10, IFRS 11 and IFRS 12.
IAS 32	Financial Instruments: Presentation [2]	The amendments clarify the former offsetting rule.
Amendments to IFRS	Annual Improvements to IFRS – 2009–2011 [1]	Amendments to and clarifications of various IFRS.
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine [1]	Regulates the recognition, initial measurement and subsequent measurement of production stripping costs.

The following standard has been revised by the IASB. It must be adopted for financial years that start on or after July 1, 2012. MOLOGEN did not voluntarily apply it ahead of time:

IAS 1	Presentation of Financial Statements	Amends the presentation of other comprehensive income to require subtotals for items that can be reclassified and those that cannot be reclassified.

[1] Must be adopted for financial years that start on or after January 1, 2013.
[2] Must be adopted for financial years that start on or after January 1, 2014.
[3] Must be adopted for financial years that start on or after January 1, 2015.
[4] Must be adopted for financial years that start on or after January 1, 2013. In the EU, initial adoption will most likely be mandatory for financial years that start on or after January 1, 2014.

C. Accounting and valuation methods

The fundamental accounting and valuation methods used in preparing these financial statements are described in the following section. They were applied consistently throughout the financial year.

The financial statements were prepared in accordance with the cost method. Assets and liabilities are recorded in the statement of financial position at amortized cost.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability was initially measured, minus repayments, plus or minus the accumulated amortization of any difference between the original amount and the amount to be repaid at maturity using the effective interest method, and minus any reduction (either directly or using an impairment account) for impairment or uncollectibility (IAS 39).

The preparation of financial statements in accordance with IFRS requires assumptions or estimates to be made regarding some items that affect the amounts reported in the company's statement of financial position or statement of comprehensive income. All estimates are reevaluated on an ongoing basis and are based on historical experiences and other factors, including expectations with respect to future events, that are deemed reasonable under the given circumstances.

Estimate uncertainties can arise from the determination of useful lives and the intrinsic values of intangible assets and property, plant and equipment and from the estimation of the extent to which future tax benefits will be realized when recording deferred tax assets.

As of every reporting date, the company reviews the carrying values of assets and liabilities for any indication that an impairment has arisen. In this case, the recoverable amount of the relevant asset or repayment amount of a liability is determined, to ascertain the scope of the impairment loss that may need to be recorded.

Property, plant and equipment and intangible assets are measured at their acquisition cost minus scheduled depreciation and amortization based on use according to the cost model (IAS 16.30). Depreciation and amortization are recorded on a straight-line, pro rata temporis basis and begin in the month in which the asset is acquired or placed into service. The average useful life is between three and fourteen years (software, technologies, patents, licenses and other rights: three to ten years, technical equipment: three to ten years, operating and office equipment: three to fourteen years). Depreciation and amortization of property, plant and equipment and intangible assets is reported in the statement of comprehensive income under depreciation and amortization.

The expected useful lives and depreciation and amortization methods are reviewed at the end of each financial year. In the event that estimates require revision, these are taken into account on a prospective basis. The carrying values of property, plant and equipment and intangible assets are likewise reviewed as of the reporting date. In the event that this review indicates that impairments have arisen, these are recorded as an expense. During the financial year and the prior year, there were no changes to estimated useful lives or depreciation and amortization methods, and no unscheduled impairment of property, plant and equipment or intangible assets was recorded.

Financial assets were recorded in previous years at amortized costs, taking into account the impairment requirement.

Government grants are recorded if it can be reasonably assumed that the grant will be paid out and that the company meets the necessary conditions for receiving the grant.

Government grants for costs are recorded as income in the period in which the costs they were granted to meet are incurred.

Government grants for investments are reported as deferred income within non-current liabilities. They are released to profit and loss on a straight-line basis over the expected useful lives of the relevant assets.

Research costs are costs for independent and scheduled research undertaken with the prospect of gaining new scientific or technical knowledge (IAS 38.8). They are recognized as an expense in the period in which they are incurred (IAS 38.54). Research costs are costs that are required to conduct research activities. These costs include personnel costs, direct costs, and directly attributable variable and fixed overhead costs. These costs are recognized as an expense in the period in which they are incurred.

Development costs include expenses that serve to put theoretical knowledge into technical and commercial use. They are capitalized if they can be identified as such and if future cash flows can be ascribed to them clearly and with a high degree of probability (IAS 38.57). Because not all criteria specified by IFRS could be met simultaneously, and due to the risks existing before commercialization, development costs have not been capitalized.

Acquisition and manufacturing costs and accumulated depreciation and amortization are applied to disposals of assets. Profits and losses from asset disposals (disposal proceeds minus net book values) are reported in the statement of comprehensive income in other operating income or other operating expenses.

Cash and bank balances are reported at nominal value in cash and cash equivalents. Bank balances held in a foreign currency are converted at the rate of the day on which the payment is received or rendered. Measurement takes place on the reporting date at the rate of the reporting date. The differences arising from the measurement are recognized on the statement of comprehensive income. In the prior year, liquid funds were divided into cash and cash equivalents and fixed-term deposits with a term of more than three months on both the statement of financial position and statement of cash flows. As of December 31, 2012, cash and cash equivalents contained no items with a term of more than three months.

Trade receivables are recorded at their amortized costs.

MOLOGEN's assets recorded as inventories are goods that are recorded at amortized cost and measured according to the FIFO (First In, First Out) method. There are no stocks of raw materials and supplies, work in progress, or finished goods and services.

Other non-current and current assets are recorded at their amortized costs.

A financial instrument is a contract that simultaneously creates a financial asset at one company and a financial liability or an equity instrument at another company.

This fundamentally includes both original and derivative financial instruments. MOLOGEN held no derivative financial instruments, either with or without hedging relationships, during the 2012 financial year or the prior year.

The original financial instruments are reported and explained appropriately under other non-current financial assets, trade receivables, other current receivables/assets, cash and cash equivalents, and non-current and current liabilities. Other summary explanations on the financial instruments can be found in section H, "Notes on the type and management of financial risks".

In principle, financial instruments are initially recorded on the settlement date. When they are initially recorded, financial instruments are measured at their fair value. In the course of this, transaction costs attributable to the acquisition are taken into account for all financial assets and liabilities that are not recorded as measured at fair value through profit and loss in subsequent periods.

The financial assets held by MOLOGEN during the 2012 financial year and the prior year consist of trade receivables and other receivables with fixed or determinable payments that are not listed on an active market.

The financial assets are examined on each reporting date for indications of impairment. Financial assets are impaired when there is an objective indication that the expected future cash flows from the assets have negatively changed as a result of one or more events that occurred after they were initially reported.

Financial assets are written off when the contractual rights to payment have expired or been assigned.

No reclassifications between the measurement categories took place during the 2012 financial year or the prior year.

Financial liabilities are categorized either as financial liabilities at fair value through profit and loss or as other financial liabilities.

The financial liabilities held by MOLOGEN during the 2012 financial year and the prior year consisted of trade payables and other liabilities and were classified in the category of other financial liabilities.

Other financial liabilities are measured in accordance with the effective interest method at amortized cost for the subsequent measurement, whereby interest incurred is recorded at the effective interest rate, where appropriate.

No reclassifications between the measurement categories took place during the 2012 financial year or the prior year.

Financial liabilities are written off when they have been settled, meaning when the obligation has been paid or revoked or has expired.

In principle, foreign currency liabilities are converted at the exchange rate of the reporting date, with any differences being recognized on the statement of comprehensive income.

Provisions (IAS 37) are liabilities of uncertain timing and amount. They are created for past events for which a liability currently exists. This liability is probable, and it is possible to reliably estimate its amount.

TAXES

Current tax assets and liabilities

Current tax assets and liabilities for the 2012 financial year and the prior year are measured at the amount that is expected to be reimbursed by or paid to the tax authorities. The amount is calculated based on the tax rates and laws in effect at the time they were legally created.

Deferred taxes

Deferred taxes are recorded in the amount of temporary differences between the carrying values on the commercial and tax statements of financial position as of the reporting date. They are created in the amount of the expected tax burden or relief in subsequent financial years. Tax assets are recorded only if their realization appears reasonably certain (IAS 12.27). The calculation is based on the tax rates expected on the date of realization that are in effect or have been enacted as of the reporting date. Tax assets and liabilities are netted only to the extent that they can be offset relative to a tax authority (IAS 12.74).

Current and deferred taxes are recognized as income or expense unless they are associated with items recorded directly into shareholders' equity. In this case, the tax is recorded directly into shareholders' equity. No income taxes were recorded as income, expense or directly into shareholders' equity during the 2012 financial year or the prior year. No deferred taxes were recorded, because considerable uncertainty exists as to whether they are realizable.

Ordinary shares are classified as shareholders' equity. Costs that are directly attributable to the issue of new shares or options are recorded in shareholders' equity (net of taxes) as a deduction from issue proceeds.

As compensation for services provided, the employees of the company (including management) receive share-based compensation in the form of equity instruments (referred to as transactions with compensation through equity instruments).

Expenses resulting from the granting of equity instruments and the corresponding increase in shareholders' equity are recorded over the period during which the vesting or service conditions must be fulfilled (referred to as the vesting period).

This period ends on the first day on which the instrument can be exercised, meaning the date on which the relevant employee has an irrevocable right to it. The cumulative costs of granting the equity instruments reported on each reporting date up to the first date on which the instrument can be exercised reflect the portion of the vesting period that has already expired and the number of equity instruments that will actually be exercisable when the vesting period is over, according to the best estimate of the company. The amount recognized in the statement of comprehensive income reflects the development of cumulative costs recorded at the beginning and end of the financial year.

Expenses and income for the financial year are recognized when they are realized, regardless of the date of payment. Proceeds from the sale of goods and services, technologies, licensing and distribution rights, and consulting services are realized when the goods have been delivered or the service provided, risk has been transferred, and the amount of the expected consideration can be reliably estimated. When services for payments spent or collected in advance are first performed in subsequent periods, the payments are recorded as deferred or accrued income that is accreted over the period in which the services are performed.

In accordance with IAS 1.35, profits and losses from foreign currency exchanges are netted because they are immaterial.

D. Notes to the statement of financial position as of December 31, 2012

ASSETS

NON-CURRENT ASSETS

(1) Property, plant and equipment

The net value of property, plant and equipment increased by € 44 thousand during the reporting year, from € 134 thousand in the prior year to € 178 thousand. Investments in the amount of € 98 thousand (prior year: € 18 thousand) offset normal depreciation.

The development of property, plant and equipment is part of the statement of changes in fixed assets presented on page 50.

(2) Intangible assets

The value of capitalized intangible assets decreased during the financial year by € 238 thousand, to € 1,147 thousand (prior year: € 1,385 thousand). Intangible assets are comprised of purchased technologies (carrying value: € 901 thousand, prior year: € 1,131 thousand), software (carrying value: € 25 thousand, prior year: € 8 thousand) and other rights (carrying value: € 221 thousand, prior year: € 246 thousand).

The SAINT technology is a key intangible asset worthy of mention. It represents a unique method of using DNA molecules such as MIDGE® and dSLIM®. It was acquired in the 2006 financial year for the amount of € 2.3 million. In the opinion of the company, the useful life of the technology remains unchanged at ten years. The net carrying value as of the reporting date was € 0.9 million and is reported under purchased technologies.

Investments in the amount of € 19 thousand (prior year: € 250 thousand) were offset by normal amortization.

The development of intangible assets is part of the statement of changes in fixed assets presented on page 50.

Research and development
The resources available to the company are primarily used directly on research and development projects. Expenses for this area totaled € 5.9 million (prior year: € 6.1 million). As in the prior year, there were no development costs subject to mandatory capitalization as defined in IAS 38.

(3) Other long-term assets
Other long-term assets consist of loans to employees in the amount of € 3 thousand (prior year: € 4 thousand) that have a maturity of more than one year as of the reporting date.

CURRENT ASSETS

(4) Cash and cash equivalents and fixed-term deposits with a term of more than three months
Cash and cash equivalents are fundamentally comprised of cash and bank deposits with a term to maturity of less than three months. Current bank balances yield variable rates of interest. Cash and cash equivalents in the amount of € 2,000 thousand were invested in fixed-term deposits with a term of six months as of the prior year reporting date. The value of cash and cash equivalents as of the reporting date was € 23,777 thousand (prior year: € 7,476 thousand). This is calculated based on the nominal value of the holdings in euros and the value of an account denominated in a foreign currency as measured at the exchange rate on December 31, 2012.

(5) Trade receivables
Trade receivables do not bear interest and, without exception, have a term to maturity of less than one year as of the reporting date. They are generally due within 14 days. They are reported at amortized cost.

Trade receivables totaled € 3 thousand (prior year: € 6 thousand) as of December 31, 2012.

			Past due but not impaired (portions of) receivables			
EUR'000	Total	Neither past due nor impaired	< 30 days	30–90 days	90–365 days	> 365 days
Dec. 31, 2012	3	3	0	0	0	0
Dec. 31, 2011	6	6	0	0	0	0

The value adjustments for doubtful accounts totaled € 60 thousand (prior year: € 60 thousand) as of December 31, 2012.

No doubtful accounts were written off in the 2012 financial year (prior year: € 0 thousand).

No reversals of the value adjustments for doubtful accounts were recorded (prior year: € 0 thousand).

The development of impairments on receivables is part of the table in section H, "Development of impairment of financial instruments".

(6) Inventories
Inventories consist of goods (€ 21 thousand, prior year: € 33 thousand). The inventory is subject to no restrictions on disposal or pledging.

(7) Other current assets and income tax receivables

EUR'000	Dec. 31, 2012	Dec. 31, 2011
Income tax receivables	44	37
Reimbursements from VAT	168	188
Other receivables	444	568
	656	**793**

Income tax receivables pertain to corporate tax refunds (including the solidarity tax) for the years 2011 and 2012.

The amounts presented under reimbursements from VAT consist of receivables from and liabilities to the same authority and may be netted in accordance with IAS 12.71.

Fixed-term deposits in the amount of € 13 thousand (prior year: € 13 thousand) have been pledged and serve as collateral for a lease guarantee.

Other receivables also include an advance payment in the amount of € 88 thousand (prior year: € 262 thousand) made to the MOLOGEN Stiftungsinstitut für Molekularbiologie und Bioinformatik (MOLOGEN Foundation Institute of Molecular Biology and Bioinformatics) as part of the collaboration with the Freie Universität Berlin (Free University of Berlin).

No impairments are reported under other current assets (prior year: € 0 thousand).

Other receivables in the amount of € 1 thousand (prior year: € 0 thousand) were written off because they were assumed to be no longer realizable.

The development of the impairment of other current assets is presented in section H.

EQUITY AND LIABILITIES

NON-CURRENT LIABILITIES

(8) Deferred income

The amount reported of € 9 thousand (prior year: € 11 thousand) relates to government grants for assets.

(9) Current liabilities

Trade payables do not bear interest and are generally due within 30 days. Other current liabilities do not bear interest and are due within twelve months.

Composition of current liabilities:

EUR'000	Dec. 31, 2012	Dec. 31, 2011
Trade payables	483	737
Deposits received for orders	93	35
Liabilities from income and church tax	75	36
Liabilities to banks	1	3
Other liabilities	230	298
	882	**1,109**

SHAREHOLDERS' EQUITY

The composition of shareholders' equity and the development of its components are presented in the statement of changes in equity.

(10) Issued capital

MOLOGEN's share capital of € 15,412,449.00, which is divided into 15,412,449 no-par bearer shares, each with a notional share of € 1.00 in the share capital, is reported as issued capital.

MOLOGEN carried out the following measures affecting share capital during the 2012 financial year:

A capital increase against cash contributions, which was resolved by the Management Board with the approval of the Supervisory Board in March 2012, was recorded in the commercial register relevant to the company on April 23, 2012. There were 300,000 shares issued at a price of € 9.00 per share. As of the recording date, MOLOGEN's share capital increased by € 300,000, from € 12,459,275 to € 12,759,275, and was divided into the same number of no-par shares.

A capital increase against cash contributions, which was resolved by the Management Board with the approval of the Supervisory Board in June 2012, was recorded in the commercial register relevant to the company on July 10, 2012. There were 2,589,819 shares issued at a price of € 8.50 per share. As of the recording date, MOLOGEN's share capital increased by € 2,589,819, from € 12,759,275 to € 15,349,094, and was divided into the same number of no-par shares.

A total of 63,355 preemptive shares were issued during the 2012 financial year from the conditional capital 2009 resolved by the Annual General Meeting on May 19, 2009. The shares were transferred on August 9, 2012, on September 4, 2012, and on November 22, 2012. Share capital increased by a total of € 63,355, from € 15,349,094 to € 15,412,449. The company received net funds of approximately € 453 thousand. The issuance of these preemptive shares was recorded in the commercial register relevant to the company in January 2013.

Conditional and authorized capital

The resolutions of the Annual General Meeting of July 19, 2012, were recorded in the relevant commercial register on July 27, 2012. These involved the following changes in conditional and authorized capital.

Conditional capital 2012

By means of the resolution of the Annual General Meeting of July 19, 2012, share capital was conditionally increased by up to € 209,234, divided into 209,234 no-par shares (Conditional capital 2012). The conditional capital increase is for the granting of convertible bonds and/or options without the issuance of bonds to members of the Management Board and employees of the company based on the authorizing resolution of the Annual General Meeting of July 19, 2012. The conditional capital increase will be executed only to the extent that the holders of the convertible bonds and/or options issued by the company based on the resolution of the Annual General Meeting on July 19, 2012, make use of their conversion rights or options. The new shares will participate in earnings from the beginning of the previous financial year if they come into being through the exercising of the conversion rights or options by the beginning of the Annual General Meeting of the company. Otherwise, they will participate in earnings from the beginning of the financial year in which they come into being through the exercising of conversion rights or options.

Authorized capital 2012

After partial utilization in the 2012 financial year, authorized capital totaled € 3,339,818 as of December 31, 2012.

The Management Board is authorized, until June 6, 2016, and with the approval of the Supervisory Board, to increase the share capital of the company one or more times by issuing new no-par bearer shares against cash contributions and/or contributions in kind by no more than € 3,339,818 (authorized capital) and, in doing so, to define an earnings-participation start date that differs from law in accordance with Section 23, Para. 2 of the bylaws.

The new shares can also be acquired by a bank or consortium of banks specified by the Management Board with the obligation to offer them to the shareholders for subscription (indirect subscription right). The Management Board, with the approval of the Supervisory Board in each case, is further authorized to exclude the subscription rights of the shareholders,

a) if required to eliminate fractional amounts,
b) if the capital increase does not exceed 10% of the share capital and the issue amount is not significantly lower than the market price of the company's shares already traded on the date of finalization by the Management Board, or
c) for capital increases against contributions in kind for the acquisition of companies, parts of companies or interests in companies and of assets that are beneficial or useful for the operation of the company, such as patents, licenses, proprietary rights of use and exploitation, and other intellectual property rights.

The Management Board is authorized, with the approval of the Supervisory Board, to define the other details of the new shares issue.

As of the reporting date, December 31, 2012, the company had the following authorized and conditional capital:

In €	Dec. 31, 2012	Dec. 31, 2011	Change
Authorized capital	3,339,818	6,229,637	-2,889,819
Conditional capital 2008	3,770,739	3,770,739	0
Conditional capital 2009	154,794	218,149	-63,355
Conditional capital 2010	610,151	610,151	0
Conditional capital 2011	238,393	238,393	0
Conditional capital 2012	209,234	—	209,234

The conditional capital 2008 is used to issue convertible or warrant bonds with a total par value of up to € 10,000,000 with a term of up to ten years and to grant the holders or creditors of bonds conversion rights on new shares of the company with a pro rata amount of the share capital of up to € 3,770,739.

The conditional capital increase will be executed only to the extent that the holders or creditors of the conversion rights or options make use of their rights or the holders or creditors who have a conversion obligation fulfill their obligation to convert. The new shares will participate in earnings from the beginning of the financial year in which they come into being through the exercising of conversion rights or the fulfillment of conversion obligations.

The conditional capital 2009 is used to grant convertible bonds and/or options without issuing bonds to members of the Management Board and employees of the company based on the authorizing resolution of the Annual General Meeting on May 19, 2009. The conditional capital increase will be executed only to the extent that the holders of the convertible bonds and/or options issued by the company make use of their conversion rights or options. The new shares will participate in earnings from the beginning of the financial year in which they come into being through the exercising of conversion rights or options.

The conditional capital 2010 is used to grant convertible bonds and/or options without issuing bonds to members of the Management Board and employees of the company based on the authorizing resolution of the Annual General Meeting on June 7, 2010. The conditional capital increase will be executed only to the extent that the holders of the convertible bonds and/or options issued by the company based on the resolution of the Annual General Meeting on June 7, 2010, make use of their conversion rights or options. The new shares will participate in earnings from the beginning of the financial year in which they come into being through the exercising of conversion rights or options.

The conditional capital 2011 is used to grant convertible bonds and/or options without issuing bonds to members of the Management Board and employees of the company based on the authorizing resolution of the Annual General Meeting on June 7, 2011. The conditional capital increase will be executed only to the extent that the holders of the convertible bonds and/or options issued by the company based on the resolution of the Annual General Meeting on June 7, 2011, make use of their conversion rights or options. The new shares will participate in earnings from the beginning of the previous financial year if they come into being through the exercising of the conversion rights or options by the beginning of the Annual General Meeting of the company. Otherwise, they will participate in earnings from the beginning of the financial year in which they come into being through the exercising of conversion rights or options.

(11) Capital reserves

Equity components that the company received from external sources via the issued capital and a withdrawal made in the 2002 financial year in the amount of € 6,668 thousand, which was offset against the accumulated deficit, are reported in capital reserves.

Capital reserves increased by € 22,218 thousand due to the capital increase against cash contributions and the issue of pre-emptive shares from the conditional capital 2009 carried out in the 2012 financial year. In accordance with IAS 32.37, the costs incurred for equity procurement in the amount of € 1,809 thousand (prior year: € 656 thousand) were recorded in capital reserves, which thus increased by a total of € 20,409 thousand.

The application of IFRS 2, Share-based Payment, resulted in additions to capital reserves in the amount of € 660 thousand (prior year: € 683 thousand). Please refer to number 16 in this regard.

EUR'000	Dec. 31, 2012	Dec. 31, 2011
Capital reserves	66,075	43,857
Employee compensation in equity instruments	4,378	3,718
Costs of equity procurement	-4,832	-3,023
	65,621	**44,552**

(12) Accumulated deficit

The accumulated deficit contains accumulated losses carried forward of € 48,300 thousand (prior year: € 40,815 thousand).

E. Notes to the statement of comprehensive income for the period from January 1 to December 31, 2012

(13) Revenue

EUR'000	2012	2011
Goods and services	60	64
Technologies	0	73
	60	**137**

Revenue from goods and services results from domestic business. The revenue from technologies recorded in the 2011 financial year resulted from the accretion of deferred license income. There was no revenue from technologies in the 2012 financial year.

Revenues are attributable to one-time effects and are therefore subject to fluctuations.

(14) Other operating income

EUR '000	2012	2011
Government grants	259	663
Income from other accounting periods	6	9
Remaining other operating income	6	3
	271	**675**

MOLOGEN received and recognized as income government grants in the amount of € 134 thousand (prior year: € 130 thousand) from the Seventh Framework Programme of the European Union in the 2012 financial year. There do not appear to be any repayment risks.

MOLOGEN also received government grants from the Bundesministerium für Bildung und Forschung (German Federal Ministry of Education and Research) as part of the EuroTransBio initiative of the EU. Government grants in the amount of € 101 thousand (prior year: € 49 thousand) with no receivable as of December 31, 2011, were received in the 2012 financial year. In addition, government grants in the amount of € 24 thousand (prior year: € 64 thousand) were received and recognized as income. There do not appear to be any repayment risks.

(15) Cost of materials

EUR'000	2012	2011
Expenses for raw materials, supplies and goods	349	876
Expenses for services used	1,414	1,508
	1,763	**2,384**

Cost of materials decreased in the 2012 financial year compared to the prior financial year. This decrease is attributable to a one-time effect in the prior year caused by raw materials and supplies for the preparation of further studies, which did not reoccur in the 2012 financial year.

Raw materials, supplies and goods used includes changes in inventories in the amount of € 12 thousand (prior year: € -9 thousand).

(16) Personnel costs

EUR '000	2012	2011
Wages and salaries	2,371	2,128
Social insurance contributions	383	315
Stock options granted (according to IFRS 2)	660	683
	3,414	**3,126**

The increase in personnel costs compared to the prior year is primarily attributable to the slightly higher number of employees, one-time payments and salary adjustments.

MOLOGEN employed an average of 47 (prior year: 45) persons (excluding Management Board and employees on parental leave) during the year.

Employee structure (including temporary staff and employees on parental leave):

	Dec. 31, 2012	Dec. 31, 2011
Management Board	2	2
Research and development (R&D)	45	44
Administration	6	6
	53	**52**

(17) Depreciation and amortization

All depreciation and amortization reported for intangible assets and property, plant and equipment was scheduled. No unscheduled impairments were recorded.

EUR'000	2012	2011
Intangible assets	257	236
Property, plant and equipment	54	56
	311	**292**

(18) Other operating expenses

EUR'000	2012	2011
Legal and consulting costs	731	527
Administrative costs	330	388
Marketing / Investor Relations	314	342
Travel costs	274	340
Patent costs	215	261
Rent	138	138
Maintenance	104	84
Fringe costs (personnel)	87	63
Remaining other operating expenses	542	461
	2,735	**2,604**

Remaining other operating expenses include research costs incurred in the course of the cooperation with the Freie Universität Berlin (€ 445 thousand, prior year: € 365 thousand).

Auditor fees incurred for the 2012 financial year totaled € 38 thousand for auditing services, € 105 thousand for other certification services, € 1 thousand for tax advisory services and € 12 thousand for other services.

(19) Finance costs and finance income

EUR'000	2012	2011
Finance costs		
Other interest expense	**2**	**1**
Finance income		
Interest on financial assets	**55**	**110**

(20) Tax income

Current tax assets and liabilities

No income taxes were recorded in the 2012 financial year or the prior year.

Deferred taxes

Under German law, MOLOGEN's corporate tax loss carried forward in the amount of € 63.6 million (prior year: € 54.7 million) and the trade tax loss carried forward in the amount of € 61.8 million (prior year: € 52.9 million) can be offset against future taxable earnings.

However, because future profitability is difficult to predict, the future opportunity to offset is uncertain. For this reason, no deferred tax assets have been recorded.

Structure of deferred taxes and their value adjustments:

Dec. 31, 2011

Statement of financial position item/accumulated deficit in EUR'000	Difference	Deferred tax before value adjustment	Value adjustment	Deferred tax after value adjustment
Property, plant and equipment	0	0	0	0
Total deferred tax liabilities		**0**	**0**	**0**
Property, plant and equipment	6	2	-2	0
Tax loss carried forward		16,240	-16,240	0
Total deferred tax assets		**16,242**	**-16,242**	**0**
Deferred taxes offset Dec. 31, 2011		**16,242**	**-16,242**	**0**

Dec. 31, 2012

Statement of financial position item/accumulated deficit in EUR'000	Difference	Deferred tax before value adjustment	Value adjustment	Deferred tax after value adjustment
Property, plant and equipment	0	0	0	0
Total deferred tax liabilities		**0**	**0**	**0**
Property, plant and equipment	2	1	-1	0
Tax loss carried forward		18,938	-18,938	0
Total deferred tax assets		**18,939**	**-18,939**	**0**
Deferred taxes offset Dec. 31, 2012		**18,939**	**-18,939**	**0**

The accounting entries are based on a combined income tax rate of 30.2%. It takes corporate income tax, solidarity tax and trade tax into account.

Reconciliation of expected to actual tax income:

EUR'000	2012	2011
Profit (loss) before taxes	-7,839	-7,485
Expected tax expense (+)/income (-)	-2,367	-2,260
Tax effects of expenses that are not tax deductible and income with no tax effect	-330	24
Change of value adjustments to deferred taxes	2,697	2,236
Actual tax expense (+)/income (-)	**0**	**0**

The reconciliation is based on a combined income tax rate of 30.2%. It takes corporate income tax, solidarity tax and trade tax into account.

(21) Earnings per share (EPS)

Basic earnings per share is calculated by dividing the earnings attributable to owners of the ordinary shares of the company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the earnings attributable to the owners of the ordinary shares of the company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would arise from the conversion of all potential ordinary shares with dilution effect into ordinary shares.

	2012	2011
Earnings attributable to the owners of the ordinary shares of the company, in EUR'000	-7,839	-7,485
Weighted average number of ordinary shares for calculating basic earnings per share, in thousands	13,916	12,340
Dilution effect from issue of stock options, in thousands	0	0
Weighted average number of ordinary shares including dilution effect, in thousands	13,916	12,340
Basic EPS in €	-0.56	-0.61
Diluted EPS in €	—	—

There was no dilution effect from stock options issued in previous years or in the 2012 financial year in terms of IAS 33.41 and following.

(22) Notes to the statement of cash flows

The statement of cash flows shows how MOLOGEN's cash and cash equivalents changed during the course of the financial year through cash inflows and outflows. In accordance with IAS 7, distinctions are made between cash flows from operating, investing and financing activities.

With respect to the allocation of liquid funds into cash and cash equivalents and fixed-term deposits with a term of more than three months, please refer to the remarks in sections C and D (cash and cash equivalents) of these notes.

Income taxes in the amount of € 17 thousand (prior year: € 27 thousand) were paid in the 2012 financial year. MOLOGEN received an income tax refund in the amount of € 10 thousand (prior year: € 0 thousand) in the 2012 financial year.

Cash flows from operating activities contain cash interest income in the amount of € 64 thousand (prior year: € 101 thousand). Interest in the amount of € 2 thousand was paid (prior year: € 1 thousand).

F. Notes on the employee participation programs

The company has set up several share-based employee participation programs. The employees have received stock options that, subject to certain conditions, entitle them to purchase MOLOGEN shares at a predetermined price. MOLOGEN will issue the necessary shares by means of capital increases and has various classes of conditional capital for this purpose.

CONTRACTUAL TERMS AND CONDITIONS OF THE STOCK OPTION PROGRAMS (SOP)

The contractual terms and conditions under which the beneficiaries can exercise the stock options granted are summarized below.

Stock option:

Each stock option grants the beneficiary the right to purchase one bearer share with a notional par value of € 1.00.

Beneficiary:

Members of the Management Board and the company's employees.

Duration:

Five years (SOP 2009) or seven years (SOP 2010, SOP 2011 and SOP 2012) from the date of allocation.

Vesting period:

Two years from the date of the resolution on allocation to the beneficiary (SOP 2009) or four years from the date they are issued or granted to the beneficiary (SOP 2010, SOP 2011 and SOP 2012).

Exercise periods:
The stock options can – after the vesting periods have ended – be exercised only within a period of four weeks after publication of the company's most recent quarterly or semi-annual report or the most recent interim report, otherwise within a period of four weeks after publication of the annual financial statements, and additionally within a period of four weeks after the company's Annual General Meeting.

Strike price:
Corresponds to the average market share price (arithmetic mean of the closing prices (i) on the regulated market (SOP 2009 and SOP 2010) or (ii) in the XETRA trading system or a comparable successor system (SOP 2011 and SOP 2012) of the Frankfurt Stock Exchange or, after reconfiguration of the stock market segments in the trading segment of this stock exchange, in which the company's shares are being traded) in the 60 trading days (SOP 2012: 30 trading days) prior to the resolution of the Management Board (in the case of the issue of stock options to the Management Board: the Supervisory Board) regarding each allocation.

Exercise price:
Corresponds to the strike price.

Performance target (SOP 2009):
The stock options can be exercised only if the average share price (arithmetic mean of the closing prices on the regulated market at the Frankfurt Stock Exchange or, in the case of a reconfiguration of the stock market segments in the trading segment of this stock exchange, in which the company's shares are being traded) has increased compared to the strike price during the ten trading days prior to the exercise date as follows: Exercising is possible in the third year after issue/allocation only if the share price (arithmetic mean of the closing prices on the regulated market at the Frankfurt Stock Exchange or, in the case of a reconfiguration of the stock market segments in the trading segment of this stock exchange, in which the company's shares are being traded) in the ten trading days prior to the exercise date has increased by at least 10% compared to the strike price (performance target). For the fourth year, the performance target is 13% above the strike price, and for the fifth year 16%.

Performance target (SOP 2010):
The stock options can be exercised only if the average share price (arithmetic mean of the closing prices on the regulated market at the Frankfurt Stock Exchange or, in the case of a reconfiguration of the stock market segments in the trading segment of this stock exchange, in which the company's shares are being traded) has increased compared to the strike price during the ten trading days prior to the exercise date as follows: Exercising is possible in the fifth year after issue/allocation only if the share price (arithmetic mean of the closing prices on the regulated market at the Frankfurt Stock Exchange or, in the case of a reconfiguration of the stock market segments in the trading segment of this stock exchange, in which the company's shares are being traded) in the ten trading days prior to the exercise date has increased by at least 16% compared to the strike price (performance target). For the sixth year, the performance target is 19% above the strike price, and for the seventh year 22%.

Performance target (SOP 2011):
The stock options can be exercised only if the average share price (arithmetic mean of the closing prices in the XETRA trading system or a comparable successor system of the Frankfurt Stock Exchange or, in the case of a reconfiguration of the market segments in the trading segment of this stock exchange, in which the company's shares are being traded) in the ten trading days prior to exercise date has increased by at least 5% compared to the strike price for each full year that has passed since issue/allocation.

Performance target (SOP 2012):
The stock options can be exercised only if the average share price (arithmetic mean of the closing prices in the XETRA trading system or a comparable successor system of the Frankfurt Stock Exchange or, in the case of a reconfiguration of the market segments in the trading segment of this stock exchange, in which the company's shares are being traded) in the ten trading days prior to the stock option exercise date has increased compared to the strike price as follows: in the fifth year after issue/allocation, by at least 30% compared to the strike price, in the sixth year, by at least 35%, and in the seventh year, by at least 40%.

ACCOUNTING

The fair value of the stock options granted is determined on the date of the grant. This calculation takes into account the terms under which the options were granted. The fair values of the stock option programs were calculated using a Monte Carlo simulation model. Within a stock option program, the total available stock options can be allocated to several tranches and granted on various dates. In this case the individual tranches are hereinafter designated as "a" and "b."

The following table contains the parameters upon which the valuation was based:

	Stock option program					
Parameter	**2009a**	**2009b**	**2010a**	**2010b**	**2011**	**2012**
Dividend yield (%)	0.00	0.00	0.00	0.00	0.00	0.00
Expected volatility (%)	44.49	43.37	51.07	21.66	19.99	18.81
Risk-free interest rate (%)	1.81	1.79	1.70	2.48	1.44	0.74
Anticipated option life (years)	3.50	3.50	5.50	5.50	5.50	5.50
Share price on the date of issue (€)	6.52	7.24	8.55	8.49	7.13	12.95

The anticipated lives of the stock options were determined based on previous experience. These assumptions do not necessarily correspond to the actual exercise behavior of the beneficiaries.

The considered volatility is based on the assumption that future trends can be inferred from historical volatilities. Historical volatility over a period corresponding to the anticipated life of the stock options was taken into account in this regard. Actual volatility may differ from the assumptions made.

The bond market yield curve estimates published by Deutsche Bundesbank are used as the risk-free interest rates. The interest rate that has an identical term to maturity or the nearest due date is selected for this.

The company currently pays no dividends to its shareholders. It was assumed that no change to this dividend policy will be made during the life of the stock options. This will not necessarily conform to later actual dividend payments.

DEVELOPMENT DURING THE FINANCIAL YEAR

Stock options are issued to employees of MOLOGEN by MOLOGEN's Management Board. Stock options are issued to the members of MOLOGEN's Management Board by the Supervisory Board. During the present financial year, 165,955 stock options (prior year: 309,435) were issued to the beneficiaries. As of December 31, 2012, 53,070 stock options (prior year: 9,791) had not been allocated.

The following table shows the number, weighted average exercise price (WAEP), and development of the stock options during the financial year.

	2012		2011	
	WAEP per stock option in €	**Stock options** Unit	**WAEP** per stock option in €	**Stock options** Unit
As of January 1	8.24	1,047,327	8.45	737,892
Granted[1)]	10.85	165,955	7.76	309,435
Forfeited	8.47	31,220	—	0
Exercised[2)]	7.23	63,355	—	0
Expired	—	0	—	0
As of December 31	8.68	1,118,707	8.24	1,047,327
Exercisable as of December 31[3)]	7.22	145,043	7.22	208,398

[1)] The weighted average fair value of the stock options granted in the financial year was € 3.17 per option (prior year: € 1.47).
[2)] The weighted average share price on the stock option exercise dates was € 10.28 in the financial year.
[3)] The only factor taken into account in this regard is whether the vesting period of the stock options has already expired. All other contractual terms and conditions, such as the fulfillment of the performance target, are disregarded.

The weighted average remaining contractual duration of the stock options outstanding as of December 31, 2012, was 4.87 years (12/31/2011: 5.40 years). The exercise prices for the options outstanding at the end of the reporting period range between € 6.95 and € 10.85 (prior year: € 6.95 and € 8.93).

G. Other financial liabilities and contingent liabilities

Other financial liabilities for the 2013 financial year comprise leases in the amount of € 99 thousand. In addition, MOLOGEN has other financial liabilities requiring disclosure in the amount of € 752 thousand for 2013 and in the amount of € 158 thousand for 2014.

There were no contingent liabilities as defined in IAS 37 as of December 31, 2012.

H. Notes on the type and management of financial risks

1. FINANCIAL RISK MANAGEMENT

MOLOGEN has a risk management system to identify, measure and manage risks that could arise from existing financial instruments. The risk positions result from executed and planned cash inflows and outflows and can take the form of default, liquidity and exchange rate risks. There are no interest rate risks or other price risks, because the primary financial instruments used by the company involve trade receivables and payables, cash, other loans and loans granted.

The primary objective of capital management is to maintain the company's solvency. Further details are available in the management report ("Risk report" section). The secondary objective is to utilize investment opportunities to achieve interest earnings with the exclusive use of conservative, short-term products.

The main indicators of the primary objective are the debt ratio and ratio of issued capital to total shareholders' equity.

2. RISKS ARISING FROM FINANCIAL INSTRUMENTS

MOLOGEN may be exposed to the following risks with regard to its assets, liabilities and planned transactions:

Default risks:
MOLOGEN is exposed to default risk from its operating activities. Receivables are monitored on an ongoing basis. Default risks are taken into account by means of specific value adjustments for doubtful accounts. (see D (5)). No collective specific value adjustments for doubtful accounts were recorded.

The company did not take out any loans or grant any financial guarantees.

Liquidity risks:
The company monitors the risk of a potential liquidity bottleneck on an ongoing basis. The maturities of financial assets (such as receivables) and liabilities and expected cash flows from operating activities are monitored in this regard. Should it become necessary, certain cost-intensive activities and projects can be temporarily discontinued, in order to reduce the outflow of funds.

MOLOGEN is not exposed or has only limited exposure to the following market risks:

Interest rate risks:
There is no risk from fluctuations in market interest rates in this respect, because the company does not have any current or non-current financial assets and liabilities that are subject to variable interest rates.

Cash and cash equivalents that are not needed are invested as fixed-term deposits, always for a period of three months at the prevailing market interest rate. Changes in the interest rate level are reflected in the amount of interest income.

Exchange rate risks:
MOLOGEN currently utilizes financial instruments held in foreign currencies to only a very limited extent. Exchange rate risk should therefore be rated as very low.

Other price risks
There are no other price risks.

3. CATEGORIES OF FINANCIAL INSTRUMENTS

EUR'000	Dec. 31, 2012	Dec. 31, 2011
Financial assets		
Loans and receivables valued at amortized cost		
Trade receivables	3	6
Cash and cash equivalents	23,777	7,476
Other financial assets	447	572
Financial liabilities		
Valued at amortized cost		
Liabilities to banks	1	3
Trade payables	483	737
Other financial liabilities	398	369

The carrying values of the financial assets and liabilities correspond to their fair values.

The measurement of MOLOGEN's financial assets and liabilities is explained in section C, "Accounting and valuation methods."

There were no reclassifications in either the financial year or the prior year.

Exchange rate income of € 1 thousand (prior year loss: € 1 thousand) were reported in the financial year.

Development of impairment of financial instruments:

	Development of impairment of financial instruments			
EUR'000	**Financial assets**	**Trade receivables**	**Other financial assets**	**Total**
As of Dec. 1, 2011	**370**	**60**	**555**	**985**
Increase/decrease of impairments through profit or loss	0	0	0	0
Consumption of recorded impairments	370	0	555	925
As of Dec. 31, 2011	**0**	**60**	**0**	**60**
Increase/decrease of impairments through profit or loss	0	0	0	0
Consumption of recorded impairments	0	0	0	0
As of Dec. 31, 2012	**0**	**60**	**0**	**60**

I. Information on affiliated persons and companies

INFORMATION ON THE MANAGEMENT BOARD

1. The following persons were on the MOLOGEN Management Board in the 2012 financial year:

Dr. Matthias Schroff, Chief Executive Officer, Berlin, (Chairman of the Board since January 1, 2008, appointed through December 31, 2016),

Mr. Jörg Petraß, Chief Financial Officer, Berlin, (since February 1, 2007, appointed through December 31, 2015).

2. Information on the compensation structure of the Management Board:

a) Fixed and performance-based remuneration components

The members of the Management Board receive both a fixed remuneration component, which is paid in monthly installments, and a performance-based remuneration component, which is paid only when performance objectives have been achieved.

The members of the Management Board were granted the following fixed and performance-based remuneration:

EUR'000		**Dr. M. Schroff**	**J. Petraß**	**Total**
Fixed remuneration	**2012**	**185**	**180**	**365**
	2011	184	180	364
Performance-based remuneration	**2012**	**174**	**174**	**348**
	2011	101	101	202
Other remuneration	**2012**	**5**	**0**	**5**
	2011	6	0	6
Total directly paid remuneration	**2012**	**364**	**354**	**718**
	2011	291	281	572

Inventor royalties paid are reported under other remuneration.

b) Compensation components with long-term incentive effect

During the financial year, the members of the Management Board were allocated stock options as a compensation component with a long-term incentive effect. The options issued were measured on the date of issue at their fair value.

The pro rata amounts of the fair values of the compensation components with a long-term incentive effect are listed in the following table:

		Dr. M. Schroff	J. Petraß	Total
Stock options issued, in units	**2012**	**25,000**	**25,000**	**50,000**
	2011	35,759	35,759	71,518
Fair value of issued stock options upon issuance, in EUR'000	**2012**	**79**	**79**	**158**
	2011	45	45	90
Total personnel costs from stock options in each financial year, in EUR'000	**2012**	**103**	**103**	**206**
	2011	118	118	236

No stock options were exercised in the 2012 financial year or the prior year.

c) Payments in the event of early termination of the employment relationship

In the event of an early termination of the employment contract due to a takeover of at least 30% of the voting rights by a third party ("change of control"), the Management Board contracts for Dr. Matthias Schroff and Mr. Jörg Petraß provide for a severance payment in the amount of two times the fixed annual compensation (annual compensation as of January 1, 2013: € 250 thousand per member of the Management Board) in addition to all variable compensation components that had been attained up to that date (maximum € 360 thousand per year per member of the Management Board) plus the sum of the maximum of the variable compensation components that could have been attained annually during the original remaining term of the contract, discounted by 5%, regardless of whether the contract was terminated by the company or by mutual consent. The contract must be canceled within six months after the change of control is announced.

In the case of a premature termination of the employment contract by the Supervisory Board or a premature termination of the contract by mutual consent, each member of the Management Board will receive a severance payment in the amount of 1.5 times the fixed annual compensation plus all variable compensation components that have been attained up to that date. If the contract was prematurely terminated by the Supervisory Board, this is subject to the condition that it may not have been terminated on the grounds of intentional or grossly negligent breach of duty or due to dismissal from the body for some other good reason.

d) Other

No payments from third parties were promised or granted in the financial year to any member of the Management Board with regard to their activities as a member of the Management Board.

INFORMATION ON THE SUPERVISORY BOARD

1. The following persons were on the MOLOGEN Supervisory Board in the 2012 financial year:

Dr. Mathias P. Schlichting attorney at law, Hamburg (Chairman)
(Membership in other supervisory bodies: member of the Supervisory Board of the Deutsche Verwaltungs- & Aufsichtsratsinstitut e.V., Munich, (until December 2012))

Mr. Gregor Kunz, auditor and tax consultant, Berlin
(Membership in other supervisory bodies: chairman of the Supervisory Board at the following companies: Odeon Film AG, Munich, (until February 2012); PS Vermögensverwaltungs KGaA, Dresden; member of the Supervisory Board at the following companies: Konsumgenossenschaft Berlin und Umgegend eG, Berlin; TOMANO Consult Aktiengesellschaft, Berlin, (until September 2012); member of the Advisory Board at the following companies: Berliner Volksbank eG, Berlin; GESTRIM Deutsche Fonds Management GmbH, Berlin; FBLK Immobilien Invest GmbH & Co. KG, Berlin)

Mrs. Susanne Klimek, certified bank operations specialist (Bankkauffrau), Munich
(Membership in other supervisory bodies: none)

2. Information on Supervisory Board compensation:

Supervisory Board remuneration totaled € 80 thousand in the 2012 financial year (prior year: € 80 thousand). Attendance fees in the amount of € 16 thousand (prior year: € 19 thousand) were also incurred.

INFORMATION ON THE SCIENTIFIC ADVISORY BOARD

1. The following persons were members of the MOLOGEN Scientific Advisory Board in the 2012 financial year. Unless otherwise stated, membership ended on December 31, 2012. The Scientific Advisory Board was annuled on this date.

Dr. Burghardt Wittig, Germany
Cofounder and former CEO of MOLOGEN AG and Professor of Molecular Biology and Bioinformatics at the Freie Universität Berlin (Free University of Berlin)

Prof. em. Dr. Hans Lutz, FVH, FAMH, Switzerland
Professor emeritus for clinical laboratory diagnostics at the Vetsuisse Faculty, Universität Zürich (University of Zurich) (until May 31, 2012)

Dr. Ulrich Granzer, Germany
Founder and managing director of Granzer Regulatory Consulting & Services based in Munich

Dr. Martin Weihrauch, Germany
Board-certified internist, hematologist and oncologist at the Center for Integrated Oncology and medical director of the outpatient department (MVZ) at the University Clinic of Cologne

Dr. med. Stefan M. Manth, Switzerland
Independent expert for pharma and biotechnology (until September 30, 2012)

2. Information on Scientific Advisory Board remuneration

The members of the Scientific Advisory Board were granted remuneration totaling € 98 thousand in the 2012 financial year (prior year: € 105 thousand). Attendance fees in the amount of € 4 thousand (prior year: € 9 thousand) were also incurred.

J. Statement of the Management Board on the German Corporate Governance Code

In accordance with Section 161 of the Aktiengesetz (German Stock Corporation Act), the Management Board and the Supervisory Board of MOLOGEN published their joint declaration of conformity with the German Corporate Governance Code for 2012 in February 2012 on the company's website (www.mologen.com), making it permanently accessible to the shareholders, and in the 2011 annual report.

The joint declaration of conformity for 2013 (see information in the management report) was likewise made permanently accessible to the shareholders on the company's website in February 2013. The declaration will also be published in the 2012 annual report.

K. Approval of the annual financial statements

The annual financial statements were approved and released for publication by the Management Board on February 25, 2013.

Berlin, February 25, 2013

Management Board of MOLOGEN AG

Dr. Matthias Schroff
Chief Executive Officer

Jörg Petraß
Chief Financial Officer

AUDITOR'S REPORT

We have audited the individual annual financial statements prepared in accordance with Section 325 Para. 2a HGB (Handelsgesetzbuch = German Commercial Code) – comprising the balance sheet, statement of comprehensive income, cash flow statement, statement of changes in equity and the notes to the financial statements – together with the bookkeeping system, and the management report of MOLOGEN AG for the business year from January 1 to December 31, 2012. The maintenance of the books and records, the preparation of the individual annual financial statements in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 325 Para. 2a HGB as well as the preparation of the management report in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the individual annual financial statements prepared in accordance with Section 325 Para. 2a HGB, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 324a HGB in conjunction with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW).

Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the individual annual financial statements prepared in accordance with Section 325 Para. 2a HGB taking into account applicable accounting regulations and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the individual annual financial statements prepared in accordance with Section 325 Para. 2a HGB and the management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the individual annual financial statements prepared in accordance with Section 325 Para. 2a HGB and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the individual annual financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 325 Para. 2a HGB and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with these regulations.

The management report is consistent with the individual annual financial statements prepared in accordance with Section 325 Para. 2a HGB and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Leipzig, February 25, 2013
Rölfs RP AG
Wirtschaftsprüfungsgesellschaft

Mario Hesse
German Public Auditor

Stefan Schmidt
German Public Auditor

MOLOGEN AG, Berlin
Individual Annual Financial Statements prepared in accordance with Section 325 Para. 2a HGB for the year ended December 31, 2012 – in accordance with IFRS as adopted by the EU – and Management Report for the financial year 2012

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

To the best of our knowledge, and in accordance with the applicable reporting principles, the individual financial statements pursuant to Section 325 Para. 2a of the German Commercial Code according to IFRS as applied in the EU, give a true and fair view of the assets, liabilities, financial and profit or loss situation of the company, and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Berlin, February 25, 2013
MOLOGEN AG – Management Board

Dr. Matthias Schroff
Chief Executive Officer

Jörg Petraß
Chief Financial Officer

CORPORATE CALENDAR 2013

March 21, 2013
Annual Financial Statements 2012

May 15, 2013
Quarterly Report as of March 31, 2013

August 14, 2013
Half-Year Report as of June 30, 2013

November 11, 2013
Quarterly Report as of September 30, 2013

November 11–13, 2013
German Equity Forum Fall 2013

DISCLAIMER

This document contains forward-looking statements which are based on the current estimates and assumptions by the corporate management of MOLOGEN AG. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by MOLOGEN AG depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside MOLOGEN's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and other involved in the marketplace. MOLOGEN neither plans nor undertakes to update any forward-looking statements.

IMPRINT

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