MOLOGEN AG
THE POWER OF IMMUNOTHERAPIES

QUARTERLY REPORT

AS OF 30 SEP. 2019

HIGHLIGHTS

Cancer studies with lead product candidate lefitolimod

- IMPALA: primary endpoint of a significant extension in overall survival (OS) for patients with metastatic colorectal cancer not achieved; lefitolimod did not demonstrate any superiority compared with standard maintenance therapies in any of the pre-defined subgroup analyses; clear evidence of biological activity by immune monitoring; favorable safety and tolerability profile confirmed. Presentation and discussion of the study results at the renowned ESMO congress.
- MD Anderson: continuation of the study following successful conclusion of the dose escalation phase
- Combination study with a checkpoint inhibitor in collaboration with the strategic partner company Oncologie International at an advanced stage of planning.

HIV projects

- TITAN: having resolved technical difficulties at the patient screening stage, first patients were enrolled at the end of October.
- Start of collaboration with the eminent team of HIV researchers at Harvard Medical School initially with preclinical experiments including several drug candidates from the EnanDIM platform
- Start of collaboration with Amfar (*American Foundation for AIDS Research*) and the *Institute for HIV Cure* at the University of California San Francisco announced shortly after the end of the reporting period with the aim of carrying out a further clinical combination study with HIV patients.

EnanDIM

- Preclinical testing concluded successfully, as expected, and scientific advice meeting conducted with experts from the Paul Ehrlich Institute
- Preparation of the phase I study, which is to be conducted on patients with terminal cancer in 2020
- Contract manufacturer for the production of study medication identified and commissioned.

Key financial figures

- Research and development (R&D) expenditure came to €6.5 million in the reporting period, of which €1.5 million was attributable to the third quarter of 2019. The IMPALA study is still the most cost intensive. The execution of toxicology studies in preparation for the phase I readiness of the first EnanDIM clinical candidate is also starting to have an impact now. The level of expenditure has decreased by 23% compared with the 9-month period in the prior year and by 49% in comparison with the same quarter in the previous year (Q3). This decline is attributable to the cost-cutting measures resulting from the termination of the IMPALA study, which is being implemented.
- EBIT for the period January-September 2019 came to €-10.3 million, of which €-2.8 million in the third quarter of 2019. No significant revenue was posted in the entire reporting period. EBIT has fallen by 17% compared with the 9-month period in the prior year. This development can be attributed to revenue received from license agreements in the previous year. EBIT is 35% up on the third quarter of the previous year. This change is due to the decreasing costs of the IMPALA study.
- Monthly cash consumption is comparable with the level recorded in the prior year. This stood at an average of €1.2 million in the period from January to September 2019 and €1.1 million in the third quarter of 2019. The reduction in cash consumption in the third quarter of 2019 is based, among other factors, on reduced expenditure but also on the fact that one of

the payment runs for the quarter was not carried out until the beginning of the fourth quarter.

Personnel and organizational changes

- The period in office of the Supervisory Board member Gerhard Greif, who was appointed by court in June 2019, ended with the Annual General Meeting on 29 August 2019. The Annual General Meeting appointed Dr. Friederike Zahm as new Supervisory Board member for a term of four years.
- Initiation of downsizing the organization immediately following the IMPALA results. Workforce eventually reduced to approximately one third.
- Preparatory measures for outsourcing several functional departments and reducing the number of premises from three to one by the end of 2019.

KEY FIGURES (IFRS)

*economic view / minus = neg. impact on business, plus = pos. Impact

In million €	**Q3 2019**	**Q3 2018**	**Change %***	**9M 2019**	**9M 2018**	**Change %***
Revenues	0.0	0.0	n.a.	0.1	3.0	-97
Profit (loss) from operations (EBIT)	-2.8	-4.3	35	-10.3	-8.8	-17
Expense structure						
Personnel expenses	1.1	1.3	21	3.6	4.0	9
Research & Development expenses	1.5	2.8	49	6.5	8.4	23
Earnings per share in € (basic)	-0.25	-0.59	58	-0.98	-1.25	22
Cash flow from operating activities	-2.8	-3.5	21	-11.4	-10.0	-14
	30 Sep 2019	**31 Dec 2018**	**Change %**			
Cash and cash equivalents	2.8	8.0	-65			
Shareholders' equity	-5.6	-0.9	-520			
Equity ratio	-130%	-10%	n.a.			
Total assets	4.3	9.4	-54			
Number of employees	43	50	-14			

CONTENT

INTERIM MANAGEMENT REPORT

For the period from 1 July to 30 September 2019

Company profile

As a bio-pharmaceutical company, MOLOGEN AG is considered a pioneer in the field of immunotherapy on account of its unique active agents and technologies. MOLOGEN develops its own product candidates for the treatment of cancers and HIV with a focus on the development of DNA-based TLR9 agonists (toll-like receptor 9 agonists). Lefitolimod, which triggers a broad and strong activation of the immune system, is currently in clinical development. Having been administered to more than 460 patients, the clinical efficacy of lefitolimod as a single therapeutic agent has proved insufficient for various indications despite having a marked biological effect on various immune parameters in addition to an excellent tolerability and safety profile. Therefore, lefitolimod will now be tested in combination with other immunotherapies in both oncological indications and HIV/AIDS in all current and future clinical studies.

EnanDIM 581, a first development candidate derived from the next-generation technology platform EnanDIM, has successfully completed the suite of preclinical in-vitro and in-vivo experiments agreed with the regulatory authority. A scientific advice meeting was conducted with experts from the Paul Ehrlich Institute in October 2019 and clinical tests are planned to commence in 2020.

A proprietary cellular tumor vaccine, MGN 1601, successfully completed phase I a few years back and is ready for further clinical investigation in the indication renal cell cancer subject to the availability of sufficient financial resources.

Economic report

IMPALA: Detailed statistical analyses of the data led to the conclusion that no change to the results can be expected if the study were to be continued until its planned conclusion in May 2020. With the approval of the Supervisory Board, the Executive Board therefore decided to terminate the IMPALA study prematurely in accordance with all applicable rules and regulations. Work started on winding down the study in the third quarter and is

expected to be largely completed by the end of 2019. As a result, savings of approximately €1.7million will be realized.

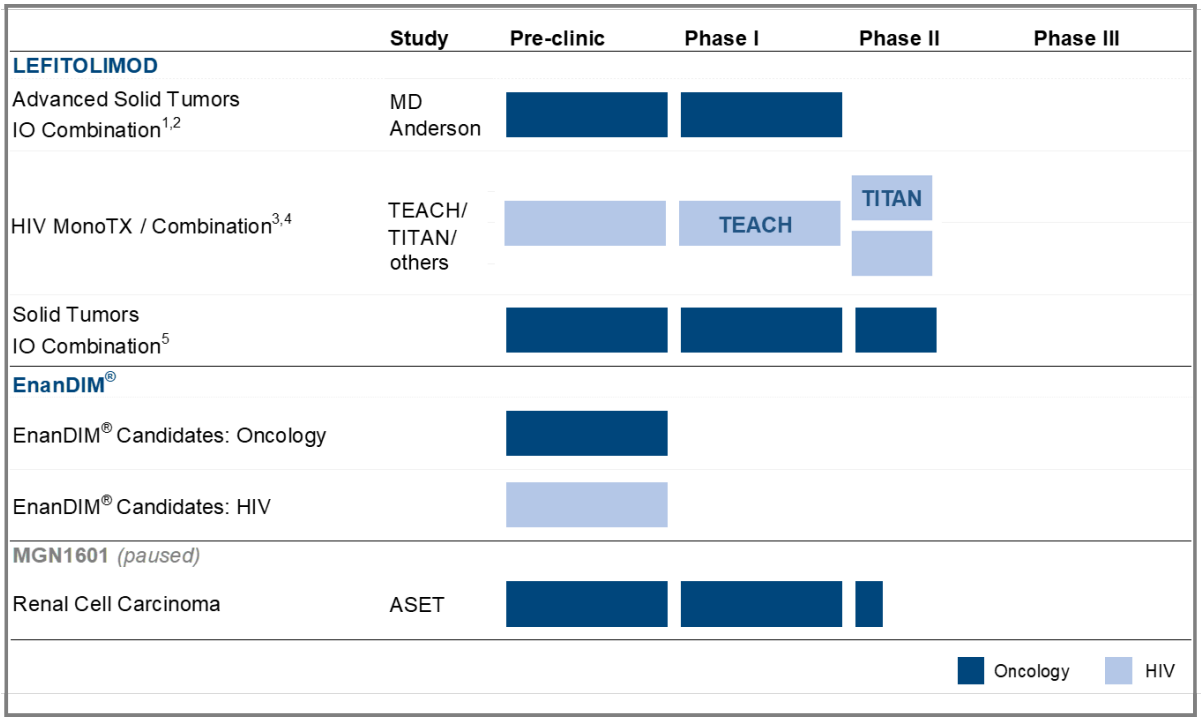
The latest data from the study conducted by the **MD Anderson** Cancer Center in Houston, Texas, on the combination of lefitolimod with a checkpoint inhibitor (ipilimumab, Yervoy®) was presented at the American Society of Clinical Oncology (ASCO), the world's most important conference for cancer. The results show the treatment has the desired modulatory effect on the tumor micro-environment (TME) in a number of patients with various incurable solid tumors. The dose escalation phase has successfully been completed and the study continues.

A number of further combination studies, which are carried out under the responsibility of the respective investigational sites (investigator-initiated trials or IITs), are in various stages of planning and preparation. As a rule, MOLOGEN participates in these studies by providing the test medication and, if applicable, through limited if any financial support.

All **HIV projects** (TITAN, amfAR/UCSF and Harvard Medical School) are also conducted as IITs. In the case of TITAN, there were unexpected technical problems with a diagnostic method essential for the determination of patient eligibility, which have meanwhile been resolved. As a result, the start of the study was delayed until the fourth quarter of 2019. In both the TITAN and the amfAR study, lefitolimod is combined with HIV-specific broadly neutralizing antibodies, whereby the patient's own immune system should be enabled to keep the infection under immunological control and to drastically minimize the virus reservoir or, ideally, even eradicate it entirely. Further research into the TLR9 principle will be conducted in the project with Harvard Medical School; initially in preclinical models to be followed by clinical testing.

The next-generation of linear non-chemically modified TLR9 agonists (known as Enantiomeric DNA-based Immunomodulator or **EnanDIM**), a comprehensive summary of which was presented in a publication for the first time at the beginning of 2019, accounts for an increasingly significant share of the company's research and development budget. The preclinical experiments agreed with the authorities were concluded as planned. A scientific advice meeting on all major aspects of the planned development up to the clinical proof of concept was conducted with experts from the Paul Ehrlich Institute in October 2019. The first patient study for an oncological development program is to commence in

the first half of 2020. Production of the test medication needed for this purpose was initiated by a contract manufacturing organization in the reporting period.



[1]cooperation with MD Anderson Cancer Center, Texas, USA; [2]combinaton with Yervoy®/Ipilimumab; [3]cooperation with the Aarhus University Hospital in Aarhus, Denmark; [4]combination with virus-neutralizing antibodies in TITAN and various combination approaches in other studies; [5]studies in preparation; abbreviation: IO - immuno-oncology

At €1.46 million, expenses for research and development (R&D) in the third quarter were down on the comparison period (Q3 2018: €2.87 million), the IMPALA study still being the main cost-driver. In the first three quarters of 2019, around €0.6 million was spent on pre-clinical development of the first clinical EnanDIM candidate.

Management of our constantly expanding patent portfolio also entails significant financial expenses on an ongoing basis. As part of a regular portfolio management process, all patents are examined and any patents that cannot be exploited commercially are relinquished, with the consent of the Supervisory Board, with the intent to avoid undue costs. In total, €0.25 million was spent on securing and protecting our intellectual property estate in the first three quarters.

On 29 August 2019, the company held the ordinary Annual General Meeting 2019 in Berlin. In addition to the standard topics, the agenda included the election of a Supervisory Board member and the creation of new capital. Dr. Friederike Zahm was elected as member of the Supervisory Board to succeed the Supervisory Board member Gerhard Greif, who had been appointed at interim by the registry court in June. Additional topics on the agenda concerned the creation of new authorized and conditional capital which were approved by the shareholders present with overwhelming majority. The costs of hosting the Annual General Meeting totaled approximately €0.2 million.

Business activities in the third quarter focused on

- the evaluation of the IMPALA study and publication of the results
- personnel and organizational adjustments resulting from the negative results of the IMPALA study
- holding the ordinary Annual General Meeting
- preparatory work for a capital measures
- conclusion of the preclinical development work for the first clinical EnanDIM candidate, EnanDIM581
- intensified partnering and funding activities

Asset, Financial and Earnings position

Earnings position

No notable sales revenues were recorded during the entire reporting period (9M 2018: €3.0m). In 9M 2018 non-recurring revenues from licensing agreements were received. Other company operating income amounted to €0.2m (9M 2018: €1.0m) and essentially resulted from the retransfer of project-specific funds in accordance with the actual costs incurred.

R&D expenditure during the reporting period was €6.5m (9M 2018: €8.4m), of which €1.5m was incurred in the third quarter of 2019. The IMPALA study remained the most cost-intensive item of expenditure. The implementation of toxicological studies in preparation for the phase I study with EnanDIM is now also taking effect. Compared with the nine-month period of the previous year, the level of R&D expenditure has fallen by

23% and in a comparison with the equivalent quarter (3rd quarter) by 49% year on year. The reduction can be explained by reduced costs from the termination of the IMPALA study, which is currently taking place.

The ongoing management of our patent portfolio also requires considerable financial expenditure. As part of a regular portfolio management process, all patents are subject to an examination and, with the approval of the Supervisory Board, patents that can no longer be used economically are abandoned in order to reduce costs.

For the period from January-September 2019, a negative EBIT of €10.3m was recorded, of which a figure of -€2.8m occurred in the third quarter of 2019. EBIT has thus fallen by 17% compared with the 9-month period of the previous year, which can be attributed to the sales revenues from licensing agreements in the previous year. Compared with the third quarter, EBIT is 35% higher year on year. This change can be explained by the declining costs of the IMPALA study.

Financial and asset position

At €4.3m, the balance sheet total was below the year-end level for 2018 (31 December 2018: €9.4m).

Assets of €4.3m as at 30 September 2019 (31 December 2018: €8.0m) contained a high proportion of cash and cash equivalents.

During the reporting period, MOLOGEN was always in a position to meet all financial obligations.

Long-term assets of €0.1m as at 30 September 2019 were above the level at the end of 2018 (December 31, 2018: € 0.02 million).

Liabilities consist of long-term and short-term liabilities as well as equity capital. Among the long-term liabilities recorded were those resulting from the issue of convertible bonds amounting to €6.3m (31 December 2018: €5.6m). Short-term liabilities of € 3.6 million (31.12.2018: € 4.7 million) mainly comprise liabilities to service providers and suppliers as well as other short-term liabilities and deferred items.

Equity capital was -€5.6m (31 December 2018: -€0.9m). The reduction can largely be attributed to the capital consumption due to the operating result for the period, which exceeded the positive effects derived from capital measures.

Other financial obligations as at 30 September 2019 amounted to €1.2m (31 December 2018: €5.8m) and are particularly due to the conclusion of short-term terminable service contracts for the IMPALA clinical trial started in fiscal 2014.

Liquidity trend

The value of financial resources used for operating activity during the first nine months of 2019, which amounted to -€11.4m, was higher than that for the same period in the previous year (9M 2018: -€10,0m) and largely went towards research and development.

Cash flow from investment activity was at a low level of -€5k (comparison period: -€6k).

Cash flow from financing activities was €6.2m (9M 2018: €7.6m). Inflows during the reporting period came from the issue of convertible bonds (2,7 Mio. €) and from a capital increase (€4.2m). Both capital measures were oversubscribed and placed in full.

Monthly cash consumption is at a level comparable with that of the previous year. It was at an average of €1.2m during the period from January to September 2019 and an average of €1.1m in the third quarter of 2019. The low consumption in the third quarter of 2019 is due among other factors to lower expenditure but also to the fact that one of the payment runs for the quarter was not carried out until the beginning of the 4th quarter.

Forecast, opportunities and risk report

Forecast report

The statements made in the Forecast Report section of the Management Report for fiscal year 2018 in regard to the areas of research and development, cooperations and partnerships, market preparation and commercialization as well as earnings and liquidity development (cf. Annual Report 2018, page 56 et. Seq) remain valid, although it is important to emphasize that the top line data of the IMPALA study published at the beginning of August – above all the failure to demonstrate the therapeutic superiority of

lefitolimod as single agent maintenance over standard of care for metastatic colorectal cancer – has a substantial influence on the Company's further corporate and development strategy. The number of employees will be significantly reduced by the end of the financial year 2019 and will then probably not amount to 50 as previously forecasted but to approximately 30. With regard to the expected EBT (Earnings before Tax) for the year 2019, which was forecasted at €-15.6 million in the management report as of December 31, 2018 and with a range of €-14.5 to -16.5 million in the half-year financial report as of 30 June 2019, the Company now assumes it to land in a range of between €-14.0 and -15.5 million.

Opportunities and risks report

The opportunities and risks, including their assessment, as presented in the Management Report for fiscal year 2018 essentially remain unchanged (cf. Annual Report 2018, page 58 et seq.), although the failure to achieve the primary end point of the IMPALA study announced at the beginning of August has an impact on the aspects included in the opportunities and risks report. In particular, this applies to considerable uncertainties in relation to planned funding measures outlined in the report.

The bank balances available to the Company as of 30 September 2019 will guarantee the Company's liquidity only until the beginning of December. Financing measures must therefore be implemented in the very near future. At the Company's Annual General Meeting held on 29 August 2019 the creation of authorized and conditional capital as the foundation for capital measures was granted. Appropriate preparations for capital market placements are required to utilize the capital measures approved. Successfully placing shares or other financing instruments will be dependent on the share price development and perception of the Company on the capital markets. The failure to demonstrably prove the therapeutic superiority of lefitolimod as single agent over standard of care for metastatic colorectal cancer in the pivotal IMPALA study now translates into a big challenge for the Company to secure financing. Should it prove to be impossible to implement financing measures in the near future, the Company would be forced to limit or even halt activities in the short term. If the Company were to fail to generate additional funding, the Company's continued existence would be in jeopardy.

Quarterly financial statements as of 30 September 2019

STATEMENT OF COMPREHENSIVE INCOME (IFRS)

for the period from 1 January to 30 September 2019

€ '000	**Q3 2019**	**Q3 2018**	**Q1 – Q3 2019**	**Q1 – Q3 2018**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Revenues	0	47	81	3,047
Other operating income	33	233	226	957
Cost of materials	-731	-2,098	-3,924	-5,693
Personnel expenses	-1,060	-1,307	-3,629	-4,007
Depreciation and amortization	-33	-10	-104	-27
Other operating expenses	-1,016	-1,151	-2,969	-3,061
Profit (loss) from operations	**-2,807**	**-4,286**	**-10,319**	**-8,784**
Cost of financing	-231	-150	-686	-437
Financial income	0	0	0	0
Profit (loss) before taxes	**-3,038**	**-4,436**	**-11,005**	**-9,221**
Tax result	0	0	0	0
Profit (loss) for the period/comprehensive income	**-3,038**	**-4,436**	**-11,005**	**-9,221**
Loss carried forward	-16,693	-11,304	-16,693	-6,519
Accumulated deficit	**-19,731**	**-15,740**	**-27,698**	**-15,740**
Basic earnings per share (in €)	-0.25	-0.59	-0.98	-1.25
Diluted earnings per share (in €)	-0.19	-0.47	-0.73	-1.04

STATEMENT OF FINANCIAL POSITION (IFRS)

as of 30 September 2019

€ '000	**30 September 2019**	**31 December 2018**
	Unaudited	**Audited**
ASSETS		
Non-current assets	**149**	**18**
Intangible assets	1	2
Property, plant and equipment*	148	16
Current assets	**4,150**	**9,339**
Cash and cash equivalents	2,833	8,021
Trade receivables	14	0
Inventories	697	701
Other current assets	606	616
Income tax receivables	0	1
Total assets	**4,299**	**9,357**
EQUITY AND LIABILITIES		
Non-current liabilities	**6,254**	**5,553**
Deferred income	0	0
Other non-current liabilities	6,254	5,553
Current liabilities	**3,616**	**4,749**
Trade payables	2,271	2,640
Other current liabilities and deferred income	1,339	2,098
Liabilities to banks	6	11
Shareholders' equity	**-5,571**	**-945**
Issued capital	12,403	9,272
Capital reserve	9,724	6,477
Accumulated deficit	-27,698	-16,694
Total equity and liabilities	**4,299**	**9,357**

* The figures for property, plant and equipment were adjusted as of 1 January 2019 to reflect rights of use to leased items resulting from the first-time application of IFRS 16. More information can be found in section B under "Accounting and valuation methods".

STATEMENT OF CASH FLOWS (IFRS)

for the period from 1 January to 30 September 2019

€ '000	**Q1 – Q3 2019**	**Q1 – Q3 2018**
	Unaudited	**Unaudited**
Cash flows from operating activities		
Loss for the period before taxes	-11,005	-9,221
Depreciation and amortization of non-current assets	104	27
Profit from the disposal of fixed assets	0	0
Other non-cash expenses and income	-331	109
Change in trade receivables, inventories and other assets	-237	18
Change in trade payables and other liabilities	-644	-1,330
Interest expenses/interest income	686	437
Income tax expense/income	0	0
Income tax payments	1	0
Net cash used in operating activities	**-11,426**	**-9,960**
Cash flows from investing activities		
Incoming payments from the disposal of fixed assets	0	0
Cash payments to acquire property, plant and equipment	-3	-5
Cash payments to acquire intangible assets	-2	-1
Interest received	0	0
Net cash used in investing activities	**-5**	**-6**
Cash flow from financing activity		
Net Incoming payment from shareholders' equity injection (authorized capital)	4,048	4,848
Net incoming payment (after deduction of equity component expenses) from the issue of the convertible bond	2,703	2,985
Repayments of lease liabilities	-83	0
Interest paid	-426	-217
Net cash used in financing activities	**6,242**	**7,616**
Effect of exchange rate changes on cash	**1**	**0**
Total changes in cash and cash equivalents (cash flow)	**-5,188**	**-2,350**
Cash and cash equivalents at the start of the reporting period	**8,021**	**6,523**
Deposits with a term of more than three months at the start of the reporting period	0	0
Cash and cash equivalents at the end of the reporting period	**2,833**	**4,173**
Deposits with a term of more than three months at the end of the reporting period	0	0
Cash and cash equivalents at the end of the reporting period	**2,833**	**4,173**

STATEMENT OF CHANGES IN EQUITY (IFRS)

as of 30 September 2019

In € '000 except share data	**Issued capital**		**Contributions made to carry out the agreed capital increase***	**Capital reserve**	**Net result**	**Share-holder s' equity**
	Number of ordinary shares	Share capital				
As of 31 December 2017 (audited)	**34,295,343**	**34,295**	**275**	**105,614**	**-145,055**	**-4,871**
Capital increase in exchange for cash contributions	2,832,368	2,832		2,291		**5,123**
Contributions made to carry out an agreed capital increase*			-275			**-275**
Exercise of conversion rights from convertible bonds (with proportionate consideration of the equity component posted at the time of issue)	558,728	559		443		**1,002**
Equity component of the convertible bonds				516		**516**
Cancellation of ordinary shares	-4	0				**0**
Reversal of the capital reserve				-108,387	**108,387**	**0**
Capital reduction	-30,149,148	-30,149			**30,149**	**0**
Value of services rendered by employees (according to IFRS 2)				125		**125**
Profit (loss) for the period					-9,221	**-9,221**
As of 30 September 2018 (unaudited)	**7,537,287**	**7,537**	**0**	**602**	**-15,740**	**-7,601**
As of 31 December 2018 (audited)	**9,271,632**	**9,272**	**0**	**6,477**	**-16,693**	**-944**
Capital increase in exchange for cash	2,012,220	2,012		2,213		**4,225**

contributions						
Exercise of conversion rights from convertible bonds (with proportionate consideration of the equity component posted at the time of issue)	1,119,574	1,120		1,170		**2,290**
Costs of equity procurement				-182		**-182**
Value of services rendered by employees (according to IFRS 2)				46		**46**
Profit (loss) for the period					**-11,005**	**-11,005**
As of 30 September 2019 (unaudited)						
	12,403,426	**12,404**	**0**	**9,724**	**-27,698**	**-5,571**

CONDENSED NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

in accordance with IFRS for the period from 1 January to 30 September 2019

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 14 January 1998 and is registered in the Commercial Register of the Local Court at Berlin-Charlottenburg under the number HRB 65633 B. The shares of the Company are listed on the Regulated Market (Prime Standard) at the Frankfurt Stock Exchange under ISIN DE000A2LQ900.

The objective of the Company is the research, development and marketing of products in the area of molecular medicine. In particular, this encompasses application-related clinical research and development for biomolecular tumor therapy (immune surveillance reactivators). The main focus of research are the dSLIM® and EnanDIM® technologies patented by MOLOGEN. These enable the use of DNA as a drug for diseases that were previously untreatable or for which available treatment is insufficient. As a currently inactive project, the Company also has a cell-based therapeutic tumor vaccine.

B. General information on the financial statements

The present condensed quarterly financial statements of MOLOGEN were prepared in accordance with IFRS as applicable as at the reporting date, 30 September 2019, and as adopted by the European Union (EU) and in accordance with the IAS 34 (Interim Financial Reporting), and they should be read together with MOLOGEN's audited financial statements as at 31 December 2018, which were prepared in accordance with IFRS as adopted by the EU.

The reporting period for these condensed quarterly financial statements is the period from 1 January 2019 to 30 September 2019. The comparison period for these condensed quarterly financial statements for the statement of cash flows and statement of changes in equity is the period from 1 January 2018 to 30 September 2018. The comparison period for these condensed quarterly financial statements for the statement of comprehensive income is the period from 1 January 2018 to 30 September 2018 and the period from 1 July 2018 to 30 September 2018. The reference reporting date for these condensed quarterly financial statements with regard to the statement of financial position is 31 December 2018.

The functional and presentation currency in the financial statements is the euro (€). To improve readability, numbers are rounded and stated in thousands of euros (€ '000), unless otherwise specified. For computational reasons, rounding differences of +/- one unit may occur as of the reporting date.

The going concern principle is applied in the valuation of assets and liabilities. The cash and cash equivalents available to the Company as of the reporting date of 30 September 2019 are not sufficient to cover the expenses and investments expected in connection with the further development of the development pipeline and, in particular, current and planned clinical trial activities beyond the beginning of December 2019.

The Executive Board assumes that the funds required in future up to successful commercialization of the key assets will be raised through financing measures in the capital market and partnering activities and further measures. However, in view of the liquidity position as well as the negative shareholders' equity as of the reporting date of 30 September 2019, there are significant uncertainties related to the planned measures.

If the Company does not successfully raise funds at acceptable conditions or to sufficient levels, it may be forced to reduce expenditure by postponing, limiting or discontinuing current and planned development activities of one or more product candidates, potentially on more than just a temporary basis. This could significantly impact the future prospects of the Company and, in the event of prevailing funding difficulties in the future, it could also pose a potential threat for the continued existence of the Company. In this context, please refer to the "Risk report" section, sub-heading "Financial risks" of the Management Report for financial year 2018 as well as the interim management report for the period from 1 January 2019 to 30 September 2019.

Accounting and valuation methods

MOLOGEN has implemented all of the accounting standards adopted by the EU with mandatory application from 1 January 2019.

IFRS 16 – LEASES

IFRS 16 changes the provisions for the accounting of leases and replaces the previous standard IAS 17 as well as the associated interpretations.

The primary aim of IFRS 16 is the recognition in the statement of financial position of all lease arrangements. Accordingly, for lessees, the previous classification as finance lease arrangement or operating lease arrangement no longer applies. Instead, lessees, in principle, must recognize a right of use and a lease liability in their statements of financial position for all lease arrangements. At MOLOGEN, lease liabilities are measured according to the lease payments outstanding with interest on the basis of the incremental borrowing rate, whereas the right of use, in principle, is valued on the basis of the amount of the lease liability plus initial direct costs.

The right of use is to be amortized over the term of the lease and the lease liability is to be carried forward, using the effective interest rate method and taking into account lease payments.

In accordance with IFRS 16, easing applies in terms of the application with regard to short-term lease arrangements and lease arrangements of low value. MOLOGEN makes use of the more relaxed provisions and therefore states neither a right of use nor a liability for such lease arrangements. The relevant lease payments, as before, continue to be recognized as expenses in the income statement.

On the date of first-time application, lease agreements with a lease term ending before 1 January 2020 were classified as short-term lease arrangements, irrespective of the start date of the lease agreement.

Furthermore, on the date of first-time application, existing agreements were not reassessed as to whether or not they represent a lease arrangement on the basis of the criteria of IFRS 16.

Instead, agreements which were already categorized as lease arrangements under IAS 17 and IFRIC 4 respectively continue to be classified as lease arrangements. Agreements which were not categorized as lease arrangements under IAS 17 and IFRIC 4 respectively will continue not to be treated as lease arrangements.

With regard to lessors, reporting in the statement of financial position essentially is the same as under the previous provisions of IAS 17. Lessors must continue to make a distinction between finance and operating lease arrangements on the basis of the division of opportunities and risks arising from the asset.

MOLOGEN reported leasing arrangements in accordance with the provisions of IFRS 16 for the first time as of 1 January 2019, using the modified retrospective method. The same periods in prior years were not adjusted. With this method, lease liabilities are to be stated at the time of switching to reporting under the new standard at the net present value of the lease payments outstanding. The net present value is established on the basis of the incremental borrowing rate as of 1 January 2019. The weighted average interest rate used to calculate this was 12.5%.

A review of the impairment of rights of use on the date of first-time application was dispensed with in this context. The rights of use reported in the statement of financial position are reflected in the items of the statement of financial position, where the underlying assets of the lease agreement would have been stated had MOLOGEN been the owner. The rights of use were therefore carried in the financial statements as of the reporting date under non-current assets, essentially in the item “property, plant and equipment”.

In view of the first-time recording of rights of use and lease liabilities, the following effects arose as of 1 January 2019:

In the opening statement of financial position as of 1 January 2019, rights of use amounting to €127 thousand were recorded for the first time under the item “property, plant and equipment”. Lease liabilities of €127 thousand were stated on the liabilities side in the opening statement of financial position as of 1 January 2019 and reported under non-current and current debt. The first-time application had no impact on shareholders’ equity.

There were the following changes in rights of use recognized from 1 January 2019 to 30 September 2019:

€ '000	1/1/2019	Additions	Depreciation and amortization	9/30/2019
Rights of use from leasing	127	98	88	137

Additions exclusively comprise adjustments from temporary extension options for the relevant lease arrangements. In the period under review, there was no indication that valuation allowances were required.

There were the following changes in lease liabilities from 1 January 2019 to 30 September 2019:

€ '000	1/1/2019	Adjustments	Interest	Amortization	9/30/2019
Lease liabilities	127	105	11	83	138

Upon entry on the liabilities side, lease terms were reassessed in accordance with the provisions of IFRS 16. Sufficiently safe extension and cancellation options were taken into account when determining the lease payments to be entered on the assets side. The adjustments resulted from the temporary extension options for the relevant lease arrangements.

Furthermore, lease payments for lease arrangements of low value and short-term lease arrangements were not included in lease liabilities on the opening statement of financial position.

Unlike the previous approach, under which expenses for operating lease arrangements where shown in full in the profit (loss) from operations, at MOLOGEN, only amortization of rights of use is now included in the profit (loss) from operations under IFRS 16. At MOLOGEN, interest expenses from accruing interest added and the amortization of lease liabilities are shown in the financial results. This resulted in a reduction of €94 thousand in the profit (loss) from operations in the first half of 2019. The cash flows from financing activities decreased accordingly.

All other accounting standards, the application of which was mandatory from 1 January 2019, had no impact on the financial statements of MOLOGEN.

All other accounting and valuation methods continued to be applied unchanged compared with 31 December 2018.

MOLOGEN still does not prepare segment reporting. In relation to this, please refer to the explanations presented in the Notes in accordance with IFRS for fiscal year 2018.

C. Selected notes to the statement of comprehensive income

Revenues

In the prior year, revenues included one-off revenue from the licensing contract with ONCOLOGIE.

Other operating income

Other operating income comprised income from the release of project-specific government grants in line with the actual costs incurred.

Cost of materials

€ '000	Q1 – Q3 2019	Q1 – Q3 2018	Q3 2019	Q3 2018
Costs for raw materials, supplies and goods	117	115	-17	25
Costs for external services	3,807	5,578	747	2,073
	3,924	**5,693**	**731**	**2,098**

The reduction in the cost of materials compared with the same period in the prior year resulted from a decrease in expenses for services from third parties. This reduction was essentially attributable to the completion of clinical trials.

Personnel expenses

€ '000	Q1 - Q3 2019	Q1 – Q3 2018	Q3 2019	Q3 2018
Wages and salaries	3,214	3,461	954	1,147
Social insurance contributions	369	421	109	139
Stock options granted (according to IFRS 2)	46	125	-3	21
	3,629	**4,007**	**1,060**	**1,307**

Personnel expenses were down on the same period in the prior year as a result of the decrease in the number of staff.

Research and development (R&D)

The resources available to the Company are primarily used directly on research and development projects. As in the same period of the previous year, no development costs subject to mandatory capitalization as defined in IAS 38 were incurred.

€ '000	Q1 – Q3 2019	Q1 – Q3 2018	Q3 2019	Q3 2018
R&D expenses	6,495	8,400	1,455	2,866

Other operating expenses

From 1 January to 30 September 2019, other operating expenses decreased slightly by €92 thousand compared with the same period in the prior year. The slight reduction was largely attributable to a fall in expenses for business development and lower non-wage personnel costs. This was offset by an increase in expenses for legal and consulting costs.

Earnings per Share (EPS)

Basic earnings per share is calculated by dividing the total comprehensive income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the modified total comprehensive income attributable to ordinary shareholders (if-converted method) 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 dilutive potential ordinary shares into ordinary shares.

	Q1 – Q3 2019	**Q1 – Q3 2018**	**Q3 2019**	**Q3 2018**
Earnings attributable to ordinary shareholders in the Company (€ ‘000)	-11,005	-9,221	-3,038	-4,436
Weighted average number of ordinary shares for calculating basic earnings per share (thousands)	11,188	7,351	12,379	7,537
Dilution effect from the issuance of stock options and convertible bonds (thousands)	3,257	1,100	3,257	1,100
Weighted average number of ordinary shares including dilution effect (thousands)	14,443	8,451	15,635	8,637
Basic EPS in €	-0.98	-1.25	-0.25	-0.59
Diluted EPS in € [(a)]	-0.73	-1.04	-0.19	-0.47

[(a)] The if-converted method is applied to the calculation of diluted EPS, which means it includes fictitious interest savings and was taken into account in the earnings attributable.

D. Selected notes to the statement of financial position as of 30 September 2019

Assets

Intangible assets/property, plant and equipment

In the reporting period, intangible assets of €2 thousand (Q1 – Q3 2018: €1 thousand) were purchased.

In the opening statement of financial position as of 1 January 2019, rights of use amounting to €127 thousand were recorded under IFRS 16 for the first time in the item “property, plant and equipment”. Please refer to Section B “General information about the financial statements” of the condensed notes and the annual financial statements as of 31 December 2018.

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances. Current bank balances yield variable rates of interest. Short-term investments always have maturities of up to three months, which are determined depending on the Company’s cash needs at the time. They have fixed interest rates. As at the reporting date, the value of cash and short-term investments totaled €2,833 thousand (12/31/2018: €8,021 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 30 September 2019.

Other current assets and income tax receivables

€ ‘000	30 September 2019	31 December 2018
Reimbursements from VAT	282	369
Income tax receivables	0	1
Other receivables and assets	324	246
	606	**616**

No impairment losses were recorded against other assets during the reporting period or the 2018 financial year. Other receivables include advance payments of €186 thousand in connection with the conduct of clinical trials (previous year: €113 thousand).

Equity and liabilities

Non-current liabilities

Non-current liabilities include liabilities to third parties from the issuance of convertible bonds and deferred income. As a result of the first-time application of IFRS 16, non-current lease liabilities of €20 thousand were also reported under this item.

Convertible bonds

In the first quarter of the year, a further convertible bond 2019/2027 with a total nominal value of €2,707,050.00 was issued. Convertible bond 2019/2027 has a maturity of eight years, features an annual fixed rate of interest amounting to 6.00% and had an initial conversion price of €2.0805. The current conversion price is €1.9847.

€ '000	
Gross proceeds from the issuance of convertible bonds in fiscal year 2016	2,540
Gross proceeds from the issuance of convertible bonds in fiscal year 2017	4,999
Gross proceeds from the issuance of convertible bonds in fiscal year 2018	3,000
Gross proceeds from the issuance of convertible bonds in the period Q1 to Q3 2019	2,707
Gross proceeds from the issuance of convertible bonds Total	**13,246**
of which liability component of the convertible bond at date of issue	*8,076*
of which equity component of the convertible bond at date of issue	*5,170*
Expenses for the liability component in connection with the issuance of convertible bonds (total)	-132
of which in the period Q1 to Q3 2019	-5
Expenses for the equity component in connection with the issuance of convertible bonds (total)	-179
of which in the period Q1 to Q3 2019	*-4*
Interest expense (total)	-1,807
of which in the period Q1 to Q3 2019	*-664*
of which effective interest rate in the period Q1 to Q3 2019	-264
Conversion of bonds in fiscal year 2016	0
Conversion of bonds in fiscal year 2017	-393
Conversion of bonds in fiscal year 2018	-1,002
Conversion of bonds in the period Q1 to Q3 2019	-991
Liability component of convertible bonds as of 30 September 2019	**6,234**

For further information on ascertaining the fair value of the equity component, please refer to the explanations in the Notes to the audited financial statements as of 31 December 2018.

Current liabilities

€ '000	30 September 2019	31 December 2018
Trade payables	2,271	2,640
Deferred income	562	1,102
Liabilities from income and church tax	95	102
Liabilities to banks	6	11
Other liabilities	682	894
	3,616	**4,749**

Trade payables mainly result from services in relation to clinical trials.

The amount reported as deferred income of €562 thousand (12/31/2018: €1,102 thousand) relates to an expenditure grant MOLOGEN received in the course of a funded project in fiscal year 2017. The expenditure grant is reported under non-current and current deferred income according to the scheduled costs incurred.

Other liabilities comprise current lease liabilities amounting to €118 thousand.

Shareholders' equity

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

Issued capital

MOLOGEN's share capital of € 12,403,426, which is divided into 12,403,426 bearer shares with no-par value (no-par value shares), each with a notional share of €1.00 in the share capital, is reported as issued capital.

Capital increase from authorized capital

As part of a capital increase, MOLOGEN placed 2,012,220 shares in total and generated gross proceeds from the issue of around €4.2 million. The subscription price was €2.10 per share.
This was entered into the Commercial Register on 2 May 2019.

Authorized and conditional capital

The Company had the following authorized and conditional capital as of 30 September 2019:

€	30 September 2019	31 December 2018	Change
Authorized capital	22,078	2,034,298	-2,012,220
Conditional capital 2011	238,393	238,393	0
Conditional capital 2012	209,234	209,234	0
Conditional capital 2013-1	328,672	328,672	0
Conditional capital 2014-1	4,421,431	4,468,800	-47,369
Conditional capital 2014-2	176,051	176,051	0
Conditional capital 2015	700,649	700,649	0
Conditional capital 2018	435,252	1,507,457	-1,072,205

Conditional capital 2014-1

In the first nine months of 2019, a total of 47,369 no-par value shares were issued from conditional capital 2014-1 through conversions of WSV 2017/2025.

Conditional capital 2018

In the first nine months of 2019, a total of 232,791 no-par value shares were issued from conditional capital 2018 through conversion of WSV 2018/2023, and a total of 839,414 no-par value shares through conversion of WSV 2019/2027.

Capital reserve

€ ‘000	30 September 2019	31 December 2018
General capital reserve	8,752	4,810
Capital reserve from the issuance of bonds for conversion and option rights	2,144	3,873
Exercise of conversion rights	1,658	488
Employee compensation in equity instruments	7,609	7,563
Costs of equity procurement	-10,439	-10,257
	9,724	**6,477**

The capital reserve increased by a total of €3,247 thousand compared with the annual financial statements as of 31 December 2018.

Changes to the capital reserve in the reporting period:

	€ '000
Capital reserve 31 Dec. 2018	6,477
Capital increase from authorized capital	2,213
IFRS 2 – personnel expenses SOP	46
Costs of equity procurement	-182
Changes from the conversion of convertible bonds	1,170
Capital reserve 30 Sept 2019	**9,724**

Owing to the conversion of partial bonds under convertible bonds 2017/25, 2018/2023 and 2019/2027 in the first nine months of 2019, the capital reserve increased by €1,170 thousand – with proportionate consideration of the equity component posted at the time of issue.

Pursuant to IAS 32.37, the costs of equity procurement incurred of €182 thousand were taken into account in the capital reserve.

In the period under review, the application of IFRS 2 (Share-based Payment) resulted in additions to capital reserves in the amount of €46 thousand (Q1 – Q3 2018: €125 thousand).

E. Notes to the statement of cash flows

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

F. Notes on the employee participation programs

The Company has set up several share-based employee participation programs. Detailed information on the employee participation programs is provided in the annual report 2018 (Section F of the notes to the IFRS individual annual financial statements). No new stock option program was set up during the reporting period.

The following table shows the number and weighted average exercise price (WAEP) as well as the development of the stock options during the reporting period.

	WAEP per option in €	**Number of stock options (units)**
As at 01/01/2019	**9.43**	**353,500**
Granted [a]	0	0
Forfeited	5.48	48,002
Exercised [b)]	0	0
Expired	12.17	92,400
As at 9/30/2019	**9.12**	**213,098**
Exercisable as of 9/30/2019 [c)]	12.47	109,451

a) Calculation of the weighted average fair value of granted share options was not required during the reporting period.

b) Calculation of the weighted average share price at the time of exercise of the share options was not required in the reporting period.

c) This only takes into account whether the vesting period of the share options has already expired. All other contractual conditions, such as fulfillment of the performance targets, are disregarded.

The weighted average remaining contractual duration of the options outstanding as of 30 September 2019 was 2.86 years. The exercise prices for the options outstanding at the end of the reporting period range between €3.14 and €13.91.

G. Other financial liabilities and contingent liabilities

€ ‘000	**Current**	**Non-current**	**Total**
Financial liabilities from lease agreements	39	6	**45**
Other financial liabilities	1,199	0	**1,199**

There were no contingent liabilities as defined in IAS 37 as of 30 September 2019.

H. Notes on the type and management of financial risks

Information about the risks arising from financial instruments and the risk management is provided in annual report 2018 (Section H of the notes to the IFRS individual annual financial statements). No additional risks have been added to those described there.

I. Other information

Information on affiliated persons and companies

Personnel changes on the Executive and Supervisory Boards

With effect from 31 March 2019, Dr. Ignacio Faus stepped down prematurely as Chief Executive Officer of MOLOGEN.

Walter Miller also left the Company from his role as Chief Financial Officer upon expiration of his contract on 31 March 2019.

On 1 May 2019, Dr. med. Stefan M. Manth took up his role as Chief Executive Officer of the Company. He had been Deputy Chairman of the Supervisory Board of MOLOGEN AG since August 2014 and transitioned seamlessly from the Supervisory Board to assume office.

Attorney Gerhard Greif was appointed at interim by the court as new member of the Supervisory Board effective 17 June 2019. His period in office lasted until this year's Annual General Meeting on 29 August 2019.

By resolution of the Annual General Meeting on 29 August 2019, Dr. Friederike Zahm was appointed as new member of the Supervisory Board.

Approval of the financial statements

The financial statements were approved by the Executive Board on 30 October 2019 and released for publication.

Berlin, 30 October 2019

Executive Board of MOLOGEN AG

Stefan Manth, MD, MBA Matthias Baumann, MD

RESPONSIBILITY STATEMENT

We affirm that, to the best of our knowledge, the quarterly financial statements provide a true and fair view of the net assets, financial position, and results of operations of the Company in accordance with the applicable accounting principles for interim reporting and that the interim management report provides a true and fair view of the course of business, including business results and the position of the Company, and that the principle opportunities and risks of the expected development of the Company for the remainder of the financial year are as described.

Berlin, 30 October 2019

Executive Board of MOLOGEN AG

Stefan Manth, MD, MBA Matthias Baumann, MD

CORPORATE CALENDAR 2019

30 April 2019
Annual financial statements and
Annual report 2018

9 May 2019
Quarterly report
as of 31 March 2019

14 August 2019
Half-year financial report
as of 30 June 2019

29 August 2019
Annual General Meeting

7 November 2019
Quarterly report
as of 30 September 2019

PLEASE GET IN TOUCH WITH ANY QUESTIONS YOU MAY HAVE

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