MediGene

6-MONTHS REPORT 2010

2009 2010 2011–2015

MediGene's drug pipeline

Product	Indication	Clinical phase I	Clinical phase II	Clinical phase III	Approval	Market
Drugs on the market						
Eligard® [1]	Prostate cancer					
Veregen® [2]	Genital warts					
Drugs in clinical development						
EndoTAG™-1	Pancreatic cancer					
	Triple negative breast cancer					
RhuDex®	Rheumatoid arthritis					
Chance of reaching the market[3]:		10 - 30%	30 - 60%	60 - 80%	80 - 90%	

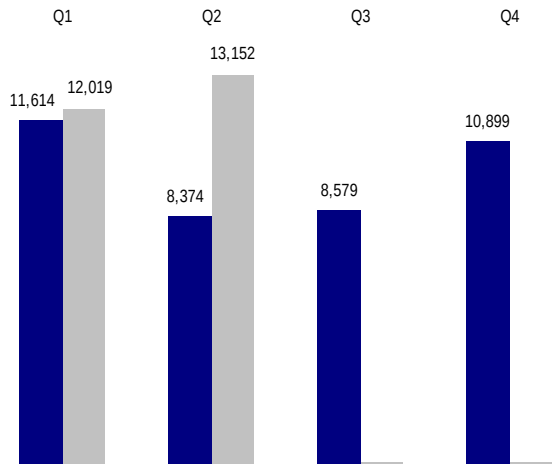
[1] Licensed from Tolmar Therapeutics, Inc. (formerly QLT USA, Inc.), marketing partnership with Astellas Pharma Europe Ltd.
[2] Marketing partnership with Nycomed US, Inc. for the US market, various marketing partnerships for Europe and Asia.
[3] Industrial average, source: Ernst & Young, 2009.

MediGene's key figures

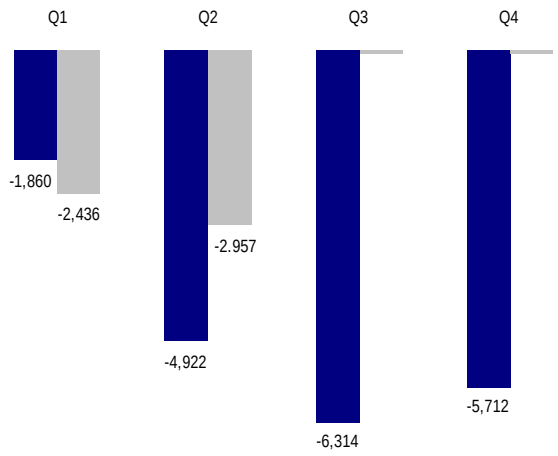
In € thousand	Q2 2010	Q2 2009	Change	6M 2010	6M 2009	Change
Income statement						
Product sales	13,122	8,219	60%	25,128	18,585	35%
Other operating income	30	155	-81%	43	1,403	-97%
Total revenue	13,152	8,374	57%	25,171	19,988	26%
Cost of sales	-10,284	-6,910	49%	-18,797	-14,528	29%
Gross profit	2,868	1,464	96%	6,374	5,460	17%
Selling, general, and administrative expenses	-2,612	-1,869	40%	-4,678	-3,905	20%
Research and development expenses	-3,424	-4,723	-28%	-7,504	-8,751	-14%
EBITDA	-2,957	-4,922	-40%	-5,393	-6,782	-20%
Operating result	-3,168	-5,128	-38%	-5,808	-7,196	-19%
Result before income tax	-959	-6,383	-85%	-3,294	-8,316	-60%
Net loss for the period	-959	-6,383	-85%	-3,294	-8,316	-60%
Net loss per share in €	-0.03	-0.19	-86%	-0.09	-0.24	-64%
Weighted average number of shares outstanding	36,428,289	34,030,116	7%	36,036,574	34,030,881	6%
Personnel expenses	-2,489	-2,941	-15%	-4,807	-6,022	-20%
Cash flow						
Cash flow from operating activities	-2,216	-3,041	-27%	-8,171	-11,345	-28%
Cash flow from investing activities	-172	-159	8%	-237	-279	-15%
Cash flow from financing activities	2,485	-56	>-200%	4,477	-93	>-200%
Balance sheet data as at June 30						
Cash and cash equivalents	8,200	13,523	-39%			
Balance sheet total	66,166	70,614	-6%			
Current liabilities	10,266	9,346	10%			
Non-current liabilities	235	236	0%			
Shareholders' equity	55,665	61,032	-9%			
Equity ratio in %	84	86	-2%			
Employees as at June 30	105	120	-13%			
MediGene share as at June 30						
Total number of shares outstanding	37,082,758	34,052,145	9%			
Share price (Closing price, XETRA)	2.75	4.20	-35%			
Dividend in €	0	0	0%			

MediGene's performance 2009 / 2010

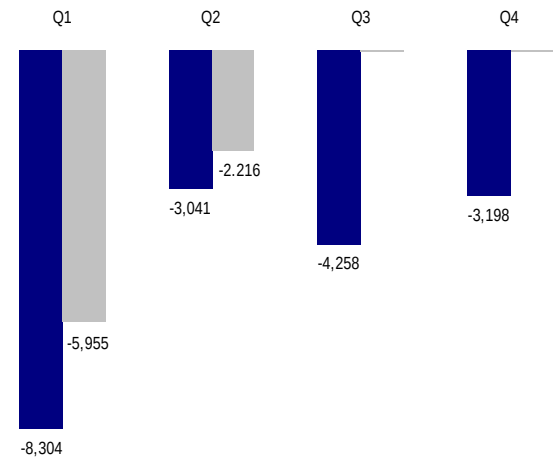
Total revenue
in € thousand



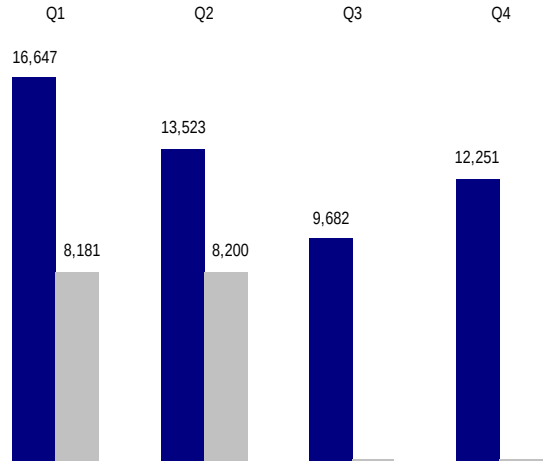
EBITDA
in € thousand



Cash flow from operating activities
in € thousand



Cash and cash equivalents
in € thousand



2009 2010

Contents

Our share

The MediGene share price

(January 2, 2010, € 3.64 indexed to 100)

Key figures for the MediGene share

In €	6M 2010	6M 2009
6-months high	3.92	4.80
6-months low	2.47	3.29
Price at beginning of the year	3.64	4.28
Closing price	2.75	4.20
Average price since beginning of the year	3.25	4.19
Weighted average number of shares outstanding	36,036,574	34,030,881
Average market capitalization (€ million)	117	143
Average daily trading volume in shares	284,014	98,301
Total number of shares outstanding (June 30)	37,082,758	34,052,145
Cash flow from operating activities/share*	-0.22	-0.34
Shareholders' equity/share*	1.50	1.79
Free float** (%)	93	81

* Reference: Total number of shares outstanding ** Source: MediGene and Deutsche Börse, June 30, 2010

Group management's discussion and analysis Q2 2010 / 6M 2010

FINANCIAL DEVELOPMENT IN THE FIRST SIX MONTHS 2010

- Total revenue increased to € 25.2 million (6M 2009: € 20.0 million)
- Improvement of EBITDA loss to € -5.4 million (6M 2009: € -6.8 million)
- Net loss reduced to € -3.3 million (6M 2009: € -8.3 million)
- Cash and cash equivalents at closing date June 30, 2010: € 8.2 million (December 31, 2009: € 12.3 million)
- Reduction of research and development expenses

MAJOR EVENTS SINCE THE BEGINNING OF THE YEAR 2010

- MediGene appoints Arnd Christ as Chief Financial Officer
- Further agreements closed for the commercialization of Veregen® in Israel, Greece, South Korea, and China
- Publication of positive trial results obtained with EndoTAG™-1 in triple negative breast cancer

PRELIMINARY NOTES

MediGene develops drugs to combat cancer and autoimmune diseases

MediGene AG, Planegg/Martinsried, Germany (hereinafter referred to as "MediGene") is a biopharmaceutical company which focuses on the research, development, and commercialization of innovative drugs, concentrating on indications of great medical necessity and, therefore, substantial commercial interest. The company's research and development activities center upon cancer and autoimmune diseases.

Development state of product portfolio

MediGene already has two drugs on the market, both of them being distributed by partners. In addition, MediGene possesses a research and development portfolio in the fields of oncology and immunology.

Eligard®

Eligard® for the treatment of hormone-dependent prostate cancer are successfully marketed in most European countries by MediGene's partner Astellas Pharma Europe Ltd. (hereinafter referred to as "Astellas Pharma"), Staines, United Kingdom. Just as in every quarter since market launch, the revenue generated with Eligard® significantly increased in the second quarter of 2010 compared to last year's reporting period. In July 2010, MediGene closed a contract for the transfer of the Eligard® marketing rights to Astellas Pharma. In return, MediGene receives cash as well as royalties on future sales.

Veregen®

The ointment developed under the name Polyphenon E® was approved in the USA under the name Veregen® for the treatment of genital warts, and has been promoted and distributed on the US market by MediGene's partner Nycomed US, Inc. (hereinafter referred to as "Nycomed"), Melville, New York, USA since 2009. In Europe, marketing partnership agreements have been concluded with three companies so far, each covering defined geographical markets: for Spain and Portugal with Juste S.A.Q.F., Madrid, Spain, for Germany, Austria, and Switzerland with Abbott Arzneimittel GmbH, Hannover, and for Greece and Cyprus with Meditrina Pharmaceuticals, Athens, Greece. Moreover, several marketing partnership have been concluded in Asia: for Israel an agreement was closed with Teva Pharmaceutical Industries Ltd., Petach Tikva, Israel, for China with GC-RISE Pharmaceutical Co., Ltd., China, and for South Korea with JS Bio Pharm Co., Ltd., South Korea. The assessment process for the market approval application submitted to the regulatory authorities in Germany, Austria, and Spain was concluded with positive outcome in 2009. The marketing authorizations for Germany and Austria have been granted already, and the approval for the German market shall serve as a reference for approval procedures in other European countries ("mutual recognition procedure"). German market launch in March 2010 was the first launch in a European country.

Drugs on the basis of EndoTAG™

EndoTAG™-1 represents an innovative therapeutic approach that unfolds its effect by both a targeted antivascular (against newly formed tumor blood vessels), and an anti-tumoral (directed against the tumor) mechanism. The drug candidate attaches itself selectively to newly developed, negatively charged tumor blood vessels, thus attacking only these blood vessels and not those in healthy tissue. Concurrently, EndoTAG™-1 prevents the formation of new vessels, which is expected to suppress further tumor growth. EndoTAG™-1 is a combination of positively charged liposomes with the therapeutic substance paclitaxel embedded therein.

In 2008, MediGene published positive results obtained in a controlled clinical phase II trial of the drug candidate EndoTAG™-1 in pancreatic carcinoma indication. Apart from safety and tolerability, the trial also investigated the clinical efficacy of different dosages of EndoTAG™-1 in combination with gemcitabine, a cytostatic drug already approved for the treatment of pancreatic carcinoma. The trial in 200 patients showed substantially extended survival time of the patients treated with EndoTAG™-1 in combination with gemcitabine, compared to those receiving standard medication gemcitabine only. The survival time of those patients improved significantly coinciding with increased dosage, and particularly with repeated administration of EndoTAG™-1. Moreover, positive results regarding other clinical parameters such as progression-free survival and safety were also reported.

Positive results were also achieved with EndoTAG™-1 in another indication. A phase II trial of the drug candidate EndoTAG™-1 for the treatment of triple negative breast cancer was conducted to investigate the efficacy of EndoTAG™-1 in the treatment of this highly aggressive type of cancer for which currently no established therapy exists, and to collect additional safety data. The primary trial endpoint was clearly achieved with EndoTAG™-1 combination therapy. In addition,

the analysis of the secondary endpoints (median progression-free survival, non-progression rate, safety and tolerability) also showed positive results for EndoTAG™-1 combination therapy.

RhuDex®

RhuDex®, an active ingredient for the treatment of several autoimmune diseases such as rheumatoid arthritis, is an orally administered CD80 antagonist which blocks the activation of T cells. RhuDex® works as an immunosuppressant and has an anti-inflammatory effect. Resumption of clinical development is currently in preparation.

Technology platforms

Additionally, MediGene pursues the development of its proprietary platform technologies for drug development, such as the EndoTAG™ technology which forms the basis for the development of other drug candidates besides EndoTAG™-1. Another project, the oncolytic HSV program, was divested to the newly founded company Catherex, Inc., a private US company located in Philadelphia, Pennsylvania. In return, MediGene received a 40% stake in Catherex. The transfer of rights from MediGene to Catherex is subject to adequate financing of the new company. A similar spin-off is also intended for the AAVLP technology, a platform technology for the development of prophylactic and therapeutic vaccines.

ASSETS POSITION

Cash position € 8.2 million; equity ratio 84%; liquidity cover ratio 12%

Development of the assets and capital structure

In € thousand	June 30, 2010 unaudited	Dec. 31, 2009 audited	Change
Assets			
Fixed and intangible assets	33,369	31,566	6%
Goodwill	11,453	11,272	2%
Financial assets	155	155	0%
Investment in an associate	2,256	1,961	15%
Cash and cash equivalents	8,200	12,251	-33%
Inventories and receivables	4,173	2,204	89%
Other current assets and derivative financial instruments	6,560	6,314	4%
Total	66,166	65,723	1%
Liabilities and shareholders' equity			
Shareholders' equity	55,665	51,873	7%
Non-current liabilities	235	244	-4%
Current liabilities	10,266	13,606	-25%
Total	66,166	65,723	1%
Liquidity cover ratio in %	12	19	
Equity ratio in %	84	79	

FINANCIAL POSITION

Cash flow from operating activities

Cash used by operating activities decreased by 28% to € -8,171 thousand in the first six months of 2010 (6M 2009: € -11,345 thousand), and by 27% to € -2,216 thousand in the second quarter of 2010 (Q2 2009: € -3,041 thousand). The difference between the net loss for the period and cash used in the second quarter of 2010 is mainly a consequence of the changes in the net working capital.

Average monthly net cash burn rate from operating activities

The average monthly net cash burn rate from operating activities in the first six months of 2010 was € 1.4 million (6M 2009: € 1.9 million), and € 0.7 million in the second quarter 2010 (Q2 2009: € 1.0 million).

Cash flow from investing activities

During the first six months of 2010, cash used by investing activities amounted to € -237 thousand (6M 2009: € -279 thousand), and € -172 thousand in the second quarter 2010 (Q2 2009: € -159 thousand).

Change in cash and cash equivalents

In € thousand	Q2 2010 unaudited	Q2 2009 unaudited	Change	6M 2010 unaudited	6M 2009 unaudited	Change
Net cash						
used by operating activities	-2,216	-3,041	-27%	-8,171	-11,345	-28%
used by investing activities	-172	-159	8%	-237	-279	-15%
from/used by financing activities	2,485	-56	>-200%	4,477	-93	>-200%
In-/Decrease in cash and cash equivalents	97	-3,256	-103%	-3,931	-11,717	-66%
Cash and cash equivalents at the beginning of the period	8,181	16,647	-51%	12,251	25,101	-51%
Foreign exchange differences	-78	132	-159%	-120	139	-186%
Cash and cash equivalents at the end of the period	8,200	13,523	-39%	8,200	13,523	-39%

As at closing date June 30, 2010, cash and cash equivalents totaled € 8.2 million.

Cash from SEDA program

In the second quarter of 2010, MediGene carried out two capital increases in cash under the terms of the SEDA program (SEDA: Standby Equity Distribution Agreement). In exchange for the issue of 950,553 shares, MediGene collected gross proceeds totaling € 2.5 million.

The SEDA program is an agreement between MediGene and the investment company YA Global Investments that secures additional equity totaling up to € 25 million at call. For a period of 36 months following the conclusion of the agreement in December 2008, MediGene has the option to call a total of up to € 25 million cash in tranches against issue of new MediGene shares from authorized capital to YA Global Investments. It remains at MediGene's sole discretion to exercise this option during the term of the agreement. By the end of the reporting period, a total of € 10.6 million has been called from this agreement.

EARNINGS POSITION

Total revenue

Total revenue amounted to € 25,171 thousand in the first six months of 2010 (6M 2009: € 19,988 thousand), and to € 13,152 thousand in the second quarter 2010 (Q2 2009: € 8,374 thousand). It was generated mainly from Eligard® product sales and royalties in Europe. Revenue in the reporting period also includes income from sales of Veregen®. In the first quarter of 2010, the Veregen® revenue was generated mainly by milestone payments, whereas the Veregen® revenue in the second quarter arose for the most part from product sales and royalties.

Consolidated income statement (abbreviated)

In € thousand	Q2 2010 unaudited	Q2 2009 unaudited	Change	6M 2010 unaudited	6M 2009 unaudited	Change
Total revenue	13,152	8,374	57%	25,171	19,988	26%
thereof Eligard®	12,629	8,186	54%	23,906	18,440	30%
thereof Veregen®	494	40	>200%	1,222	131	>200%
Cost of sales	-10,284	-6,910	49%	-18,797	-14,528	29%
Gross profit	2,868	1,464	96%	6,374	5,460	17%
Selling, general, and administrative expenses	-2,612	-1,869	40%	-4,678	-3,905	20%
Research and development expenses	-3,424	-4,723	-28%	-7,504	-8,751	-14%
Operating result	-3,168	-5,128	-38%	-5,808	-7,196	-19%
Result before income tax	-959	-6,383	-85%	-3,294	-8,316	-60%
Net loss for the period	-959	-6,383	-85%	-3,294	-8,316	-60%

Cost of sales

Cost of sales arose primarily within the scope of the commercialization of the drug Eligard®, and to a small extent in connection with Veregen®. The cost amounted to € 18,797 thousand in the first six months of 2010 (6M 2009: € 14,528 thousand), and to € 10,284 thousand in the second quarter 2010 (Q2 2009: € 6,910 thousand). It is allocated mainly to the purchase of the products and to royalties paid on the sales revenue.

Gross profit

In the first six months of 2010, gross profit increased by 17% to € 6,374 thousand (6M 2009: € 5,460 thousand), and amounted to € 2,868 thousand in the second quarter 2010 (Q2 2009: € 1,464 thousand). The gross profit amount is determined by milestone payments and the ratio of revenue from product sales to license payments.

Selling, general, and administrative expenses

Compared to last year's reporting period, selling, general, and administrative expenses increased by 20% to € 4,678 thousand in the first six months of 2010 (6M 2009: € 3,905 thousand), and by 40% to € 2,612 thousand in the second

quarter 2010 (Q2 2009: € 1,869 thousand). The increase mainly includes legal and professional fees, as well as nonrecurring expenses in connection with the change on the Executive Board.

Research and development expenses

R&D expenses decreased by 14% to € 7,504 thousand in the first six months of 2010 (6M 2009: € 8,751 thousand), and by 28% to € 3,424 thousand in the second quarter 2010 (Q2 2009: € 4,723 thousand). The major part of this decrease results from the downsizing of the R&D department.

EBITDA

MediGene uses the term EBITDA as earnings before interest, tax, foreign exchange gains/losses, and depreciation. The loss on EBITDA basis decreased by 20% to € 5,393 thousand in the first six months of 2010 (6M 2009: € 6,782 thousand), and by 40% to € 2,957 thousand in the second quarter 2010 (Q2 2009: € 4,922 thousand).

Depreciation

All in all, depreciation slightly increased to € 415 thousand in the first six months of 2010 (6M 2009: € 414 thousand), and to € 211 thousand in the second quarter 2010 (Q2 2009: € 206 thousand).

Financial result

The financial result improved to € 2,400 thousand in the first six months of 2010 (6M 2009: € -422 thousand), and to € 1,496 thousand in the second quarter of 2010 (Q2 2009: € -864 thousand). This considerable increase is a result of gains from a derivative financial instrument and of foreign exchange gains. The contract for the commercialization of Eligard® concluded with Astellas Pharma includes an embedded derivative not affecting cash, since it is processed in US dollars and not in the functional currency of one of the two contracting parties. Foreign currency gains result from the translation of US dollars and British pounds into euros.

Financial result

In € thousand	Q2 2010 unaudited	Q2 2009 unaudited	Change	6M 2010 unaudited	6M 2009 unaudited	Change
Interest income	3	29	-90%	7	111	-94%
Interest expense	-1	0	-%	-1	-5	-80%
Subtotal	2	29	-93%	6	106	-94%
Gains/Losses from embedded derivatives	1,406	-618	>-200%	2,380	239	>200%
Foreign exchange gains/losses	88	-275	-132%	14	-767	-102%
Total	1,496	-864	>-200%	2,400	-422	>-200%

Share of result of an associate

The gain from an associate totaled € 114 thousand in the first six months of 2010 (6M 2009: € -698 thousand), and € 713 thousand in the second quarter of 2010 (Q2 2009: € -391 thousand). It is made up of an increase in pro rata shareholder's equity of € 1,269 thousand (see notes, p. 16) in the course of the issue of new shares, and from the share of loss of Immunocore Ltd. totaling € 556 thousand.

6-months result

In the first six months of 2010, the loss for the period decreased by 60% to € 3,294 thousand (6M 2009: € 8,316 thousand), and by 85% to € 959 thousand in the second quarter 2010 (Q2 2009: € 6,383 thousand). This decrease of loss is primarily due to increased revenue, reduced R&D expenses, the gains from embedded derivatives (see financial result), and to a share in an associate (see above).

Net loss per share

In the first six months of 2010, the loss per share decreased to € 0.09 (weighted average number of shares: 36,036,574), compared to € 0.24 loss per share in last year's reporting period (6M 2009: weighted average number of shares: 34,030,881).

HUMAN RESOURCES

Corporate headcount decreased by 13% to 105 during the first six months of 2010, compared with last year's reporting period (6M 2009: 120). Personnel expenses decreased by 20% to € 4,807 thousand (6M 2009: € 6,022 thousand) in the reporting period.

SEGMENT INFORMATION

Segment information is provided on page 18 et seq. of the notes.

RISK REPORT

The inherent risks the MediGene group is subject to are described in the risk report of the published Group Management's Discussion and Analysis (MD&A) 2009. Up to the closing date June 30, 2010, the only changes to the state described therein that have occurred pertain to patent risks.

Legal risks

In July 2008, following the death of a volunteer who had participated in a clinical trial with the drug candidate RhuDex®, the Procurator Fiscal in Edinburgh, United Kingdom, started routine investigations which were completed in November 2009. Additionally, it is possible that the dead volunteer's family will file civil action. Considering the results of the investigation so far, however, the executive board considers the likelihood of such a claim to be extremely low.

Patent risks

In June 2010, a third party opposed the grant of European patent no. EP 1530465 of MediGene AG. The patent pertains to the manufacturing process of EndoTAG™-1, and to compounds manufacturable by this process. A first-instance decision by the European Patent Office is expected for 2012 or 2013. MediGene expects that the patent will be sustained with a scope of protection that will protect EndoTAG™-1 in the future as well.

RISK MANAGEMENT SYSTEM

MediGene's management meets any risks occurring in the group by means of a comprehensive risk management system. For a detailed description of this system we refer to the Group Management's Discussion and Analysis 2009 published on March 26, 2010.

MAJOR EVENTS SINCE END OF PERIOD UNDER REVIEW

MediGene sells European rights for Eligard® to Astellas Pharma

In July 2010, MediGene sold the exclusive European marketing and distribution rights to the cancer drug Eligard® to Astellas Pharma. In return, MediGene will receive € 25 million in cash from Astellas Pharma as well as royalties on future product sales. For MediGene, all future costs, obligations, and risks associated with the supply of Eligard® to Astellas Pharma, as well as future procurement costs and license payments to Tolmar, will cease. MediGene will receive a low single-digit royalty on net sales of Eligard® generated by Astellas Pharma. According to the contract, Astellas Pharma will pay € 25 million in three tranches at the time the individual steps of the transfer of rights are concluded over the next six to twelve months (€ 5 million upon signature, € 15 million anticipated within six to eight months, € 5 million anticipated within six to twelve months).

FORECAST

Financial forecast 2010

MediGene continues to target signing one or more development and marketing partnerships for EndoTAG™-1 in 2010 which are expected to have a significant effect on the financial result for the year. However, the financial impact of such agreements is as yet difficult to assess, and any impact is specifically excluded from the financial guidance given here.

Revenue: MediGene expects to receive payments totaling € 25 million upon successful execution of the transfer of the Eligard® rights to Astellas Pharma. These payments shall be received in three trances, depending on the transfer of rights in the individual countries. MediGene expects to receive € 20 million of the total amount before the end of 2010. Concurrently, a substantial portion of the revenue previously generated by MediGene from Eligard® will cease. Should the transfer of rights in the EU countries take place in the fourth quarter of 2010, MediGene expects total revenue of between € 55 to 65 million for 2010. Should the transfer of rights be completed in 2011, which means that the Eligard® revenue continues to be generated under the old deal structure with Astellas Pharma and Tolmar until the end of this year (as it was in the first half of 2010), MediGene expects total revenue of between € 44 to 48 million. This revenue expected is generated mainly from Eligard® and Veregen® product sales.

Net cash burn rate from operating activities: MediGene expects a net cash burn rate from operating activities of € 14 to 17 million for the year 2010, irrespective of any marketing partnership for EndoTAG™-1, and not including any payments anticipated under the agreement with Astellas Pharma.

Based on the current business plan and the scenarios derived from this plan, MediGene's management team assumes corporate financing to be secured beyond year-end 2011.

Eligard® - continuing increase in sales expected

MediGene anticipates a continuous rise in the Eligard® market share in Europe and a subsequent increase in total in-market sales in 2010. On complete transfer of the Eligard® rights to Astellas Pharma, MediGene will stand to benefit from this positive trend through the revised participation in sales.

Veregen® – increasing sales revenue in the USA

In February 2010, MediGene's marketing partner Nycomed increased its sales force for the commercialization of Veregen® in the USA to more than 40 persons, and with German market launch in March 2010, the ointment is now available in Europe. MediGene expects increasing revenue through 2010 from Veregen® and also intends to conclude further partnership agreements for its distribution both within and beyond Europe.

EndoTAG™-1 – conclusion of partnership planned

MediGene continues to target the conclusion of one or more development partnerships for the further development of EndoTAG™-1 with pharmaceuticals or biotech companies in 2010.

RhuDex® – preclinical studies as the basis for resumption of clinical development

Following a preclinical study program conducted in the current year, MediGene is planning to resume clinical development in the first quarter of 2011.

Consolidated income statement
of MediGene AG for the periods from January 1 to June 30, 2010, and 2009

In € thousand	Q2 2010 unaudited	Q2 2009 unaudited	6M 2010 unaudited	6M 2009 unaudited
1. Product sales	13,122	8,219	25,128	18,585
2. Other operating income	30	155	43	1,403
3. Total revenue	13,152	8,374	25,171	19,988
4. Cost of sales	-10,284	-6,910	-18,797	-14,528
5. Gross profit	2,868	1,464	6,374	5,460
6. Selling expenses	-626	-470	-1,222	-947
7. General and administrative expenses	-1,986	-1,399	-3,456	-2,958
8. Research and development expenses	-3,424	-4,723	-7,504	-8,751
9. Operating result	-3,168	-5,128	-5,808	-7,196
10. Interest income	3	29	7	111
11. Interest expense	-1	0	-1	-5
12. Foreign exchange gains/losses	88	-275	14	-767
13. Gains/Losses from derivative financial instruments	1,406	-618	2,380	239
14. Share of result of an associate	713	-391	114	-698
15. Result before income tax	-959	-6,383	-3,294	-8,316
16. Taxes	0	0	0	0
17. Net loss for the period	-959	-6,383	-3,294	-8,316
Net loss per share:				
Actual und fully diluted in €	-0.03	-0.19	-0.09	-0.24
Weighted average number of shares outstanding	36,428,289	34,030,116	36,036,574	34,030,881

Consolidated statement of comprehensive income
of MediGene AG for the periods from January 1 to June 30, 2010, and 2009

In € thousand	Q2 2010 unaudited	Q2 2009 unaudited	6M 2010 unaudited	6M 2009 unaudited
1. Net loss for the period	-959	-6,383	-3,294	-8,316
2. Exchange differences on translation of foreign operations*	1,715	1,980	1,682	3,032
3. Unrealized gains on hedge of a net investment*	810	837	813	1,165
4. Other comprehensive income for the year, net of tax	2,525	2,817	2,495	4,197
5. Total comprehensive income for the period, net of tax	1,566	-3,566	-799	-4,119

* No income tax effects were incurred.

Consolidated balance sheet

of MediGene AG as of June 30, 2010, and December 31, 2009

In € thousand	June 30, 2010 unaudited	December 31, 2009 audited
Assets		
A. Non-current assets		
I. Property, plant & equipment	1,074	1,063
II. Intangible assets	32,295	30,503
III. Goodwill	11,453	11,272
IV. Financial assets	152	152
V. Investment in an associate	2,256	1,961
VI. Other non-current assets	3	3
Total non-current assets	47,233	44,954
B. Current assets		
I. Inventories	2,270	1,455
II. Trade accounts receivable	1,903	749
III. Cash and cash equivalents	8,200	12,251
IV. Other current assets	5,924	6,314
V. Derivative financial instruments	636	0
Total current assets	18,933	20,769
Total assets	66,166	65,723
Liabilities and shareholders' equity		
A. Shareholders' equity		
I. Subscribed capital Number of shares issued and outstanding: December 31, 2009: 35,557,493 June 30, 2010: 37,082,758	37,082	35,557
II. Additional paid-in capital	343,553	340,487
III. Accumulated deficit	-318,523	-315,229
IV. Other reserves	-6,447	-8,942
Total shareholders' equity	55,665	51,873
B. Non-current liabilities		
I. Financial liabilities	0	9
II. Pension obligations	235	235
Total non-current liabilities	235	244
C. Current liabilities		
I. Trade accounts payable	3,243	2,452
II. Derivative financial instruments	0	1,743
III. Other current liabilities	6,764	8,843
V. Accruals	166	470
V. Deferred income	93	98
Total current liabilities	10,266	13,606
Total liabilities	10,501	13,850
Total liabilities and shareholders' equity	66,166	65,723

Consolidated statement of cash flow
for the periods from January 1 to June 30, 2010, and 2009

In € thousand	Q2 2010 unaudited	Q2 2009 unaudited	6M 2010 unaudited	6M 2009 unaudited
Cash flow from operating activities				
Net loss for the period (before taxes)	-959	-6,383	-3,294	-8,316
Adjustments to reconcile net loss before tax to net cash used by operating activities:				
Stock-based compensation	52	92	105	190
Depreciation	211	206	415	414
Loss on disposal of property, plant & equipment	238	0	273	0
Interest income	-2	-29	-7	-111
Interest expense	1	0	1	5
Changes in:				
Inventories	-11	-164	-816	835
Other assets and prepaid expenses	-176	1,480	-1,401	945
Trade accounts payable	-165	456	791	-4,563
Accruals	-102	237	-303	237
Other liabilities and deferred income	-591	640	-3,827	-1,783
Share of net result of an associate	-713	391	-114	698
Subtotal:	-2,217	-3,074	-8,177	-11,449
Interest received	2	33	7	109
Interest paid	-1	0	-1	-5
Net cash used by operating activities	-2,216	-3,041	-8,171	-11,345
Cash flow from investing activities				
Purchase of property, plant & equipment	-172	-159	-237	-279
Net cash used by investing activities	-172	-159	-237	-279
Cash flow from financing activities				
Proceeds from capital increase	2.500	100	4.500	100
Expenses on capital increase	-6	-45	-14	-45
Repayments of convertible bonds	-9	-111	-9	-148
Net cash from/used by financing activities	2,485	-56	4,477	-93
In-/Decrease in cash and cash equivalents	97	-3,256	-3,931	-11,717
Cash and cash equivalents at the beginning of the period	8,181	16,647	12,251	25,101
Foreign exchange differences	-78	132	-120	139
Cash and cash equivalents at the end of the period	8,200	13,523	8,200	13,523

Supplementary schedule of non-cash financing activities:

No new leasing obligations for new laboratory and office equipment were incurred during the first six months of 2010, just as in last year's reporting period.

Consolidated statement of changes in shareholders' equity

for the periods from January 1 to June 30, 2010, and 2009

	Shares	Subscribed capital	Capital reserves	Accumulated losses	Currency translation	Hedge of a net investment	Total shareholders' equity
	No.	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Balance at January 1, 2010, audited	35,557,493	35,557	340,487	-315,229	-7,913	-1,029	51,873
Net loss for the period				-3,294			-3,294
Unrealized gains on hedge of an investment						813	813
Currency translation adjustments					1,682		1,682
Comprehensive income							-799
Shares issued	1,525,265	1,525	2,975				4,500
Expenses on shares issued			-14				-14
Stock-based compensation			105				105
Balance at June 30, 2010, unaudited	37,082,758	37,082	343,553	-318,523	-6,231	-216	55,665
Balance at January 1, 2009, audited	34,028,561	34,029	335,973	-293,267	-9,992	-1,837	64,906
Net loss for the period				-8,316			-8,316
Unrealized gains on hedge of an investment						1,165	1,165
Currency translation adjustments					3,032		3,032
Comprehensive income							-4,119
Shares issued	23,584	23	77				100
Expenses on shares issued			-45				-45
Stock-based compensation			190				190
Balance at June 30, 2009, unaudited	34,052,145	34,052	336,195	-301,583	-6,960	-672	61,032

Notes to the interim consolidated financial statements

A) Description of business operations and corporate information

MediGene AG, Planegg/Martinsried (hereinafter referred to as "MediGene"), is a biopharmaceuticals company which focuses on the research, development, and commercialization of innovative drugs for indications of great medical necessity and, therefore, substantial commercial interest. The company's research and development activities center upon cancer and autoimmune diseases. The drugs approved so far are distributed through sales partners.

The Group's main activities are described in the notes under H) "Segment reporting".

MediGene has been a publicly quoted company since June 2000 (German Stock Exchange: Regulated Market; Prime Standard; SIN 502090; code MDG). As of February 9, 2009, MediGene AG has been listed on the TecDAX, a German Stock Exchange Index.

B) Accounting and valuation principles

Basic principles for the preparation of interim financial statements

These unaudited interim consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IAS 34 "Interim Financial Reporting"). It is the Executive Board's conviction that the quarterly financial statements on hand reflect all business transactions required for the portrayal of the assets, financial, and income situation at the end of the periods that expired on June 30, 2010, and 2009.

These quarterly financial statements do not include the full information required to prepare annual financial statements. Therefore these interim reports should be read in connection with the annual financial statements for 2008 and 2009. As a capital market oriented parent company, as defined by article 4 of Regulation (EC) no. 1606/2002, the group applies the International Financial Reporting Standards in their entirety.

These interim consolidated financial statements were approved for publication by MediGene's Executive Board on August 4, 2010.

Changes in accounting, valuation, and reporting principles

The accounting, valuation, and reporting principles applied for the interim consolidated financial statements on hand correspond to those applied for the consolidated annual financial statements 2009, with the exception of the application of new or revised accounting standards described in the following.

Changes in reporting principles

In the consolidated statement of cash flow, interest received and paid is no longer reported under “cash flow from financing activities“, but under “cash flow from operating activities“. Last year's values have been adjusted accordingly.

Regarding changes relevant to accounting, MediGene refers to the detailed presentation in the Annual Report 2009, page 42 et seq. ("Changes in accounting, valuation, and reporting principles").

Group companies

In addition to the parent company, MediGene AG in Planegg/Martinsried, the MediGene group includes two wholly-owned subsidiaries, MediGene, Inc., San Diego, California, USA, and MediGene Ltd., Abingdon, Oxfordshire, United Kingdom. The subsidiaries were acquired in 2001 (MediGene, Inc.) and 2006 (MediGene Ltd.), respectively. As from September 30, 2008, MediGene also holds 39.09% of the shares in the associate Immunocore Ltd., Abingdon, Oxfordshire, United Kingdom. As a consequence of the issue of new shares of Immunocore Ltd., MediGene’s stake decreased to 32.08% as at June 30, 2010. In the same time, the pro rata shareholder’s equity increased to € 2,256 thousand.

Apart from that, MediGene held no other shares in affiliated companies, associates, or joint ventures as at June 30, 2010. The financial statements of the companies consolidated have been prepared in accordance with standardized accounting and valuation principles. All intercompany revenue, expenses, and income as well as receivables, payables, and accruals of the companies consolidated were eliminated during consolidation.

C) Seasonal dependency of business operations

MediGene's business operations are not subject to any seasonal fluctuations.

D) Notes on the consolidated income statement

Embedded derivative

The contract concluded with Astellas Pharma for the commercialization of Eligard® includes an embedded derivative, since it is processed in US dollars and not in the functional currency of one of the two contracting parties. Foreign currency losses (gains) from this derivative result from the translation of US dollar into euro, and are posted affecting net income at the end of the respective reporting period. The valuation of the embedded derivative takes place on the basis of the existing/expected purchase orders from Astellas Pharma.

Associate

The income statement reflects the group's share of the associate's Immunocore Ltd. profits. The group recognizes its share of any changes shown directly in the shareholders' equity of the associate and discloses this, if applicable, in the statement of changes in shareholders' equity. Unrealized gains and losses from transactions between the group and the associate are eliminated, corresponding to the share in the associate.

E) Notes on the balance sheet

Subscribed capital

Compared to December 31, 2009, subscribed capital increased by € 1,525 thousand from € 35,557 thousand to € 37,082 thousand as at June 30, 2010.

The subscribed capital is divided into 37,082,758 registered no-par-value common shares, approx. 93% of which were outstanding as at June 30, 2010.

Goodwill and intangible assets

The increase of the reported goodwill and intangible assets compared to December 31, 2009 is due solely to foreign currency translation effects as at closing date. These effects pertain to the carrying amount of goodwill and intangible assets from the acquisition of MediGene Ltd. which is reported in British pounds. This change is posted as "other reserves" in shareholders' equity.

Current liabilities

Compared to December 31, 2009, current liabilities as at June 30, 2010 decreased by € 3,340 thousand from € 13,606 thousand to € 10,266 thousand. This decrease is mainly a consequence of a reduction of other current liabilities and gains from derivative financial instruments (see D).

F) Notes on the cash flow statement

In the first six months of 2010, cash used by operating activities decreased from € 1.9 million to € 1.4 million, compared to last year's reporting period.

The funds showed in the cash flow statements correspond to the item "cash and cash equivalents" in the balance sheet.

G) Net loss per share

The fully diluted net loss as at reporting date corresponds to the actual loss, as the conversion of common stock equivalents would have an anti-dilutive effect.

H) Segment reporting

Business units

The group is organized into two primary business units: "Marketed Products" and "Drug Candidates". The segments are composed as follows:

Segment reporting by business units

In T€	Marketed Products	Drug Candidates	Reconciliation[1)]	Total
Q2 2010				
Revenue with external customers	13,122	4	0	13,126
Other income	0	25	1	26
Intersegment sales[2)]	0	0	0	0
Total revenue	13,122	29	1	13,152
Segment operating result[3)]	1,838	-5,007	1	-3,168
Depreciation	-2	-184	-25	-211
Share of result of an associate	0	0	713	713
Assets				
Investment in an associate	0	0	891	891
Segment investments[4)]	0	172	0	172
Segment assets[5)]	4,810	43,747	17,609	66,166
Segment liabilities[6)]	93	0	10,408	10,501
Q2 2009				
Revenue with external customers	8,214	5	0	8,219
Other income	12	140	3	155
Intersegment sales[2)]	0	0	0	0
Total revenue	8,226	145	3	8,374
Segment operating result[3)]	383	-5,514	3	-5,128
Depreciation	-1	-171	-34	-206
Share of result of an associate	0	0	-391	-391
Assets				
Investment in an associate	0	0	-128	-128
Segment investments[4)]	0	16	143	159
Segment assets[5)]	3,809	43,199	23,606	70,614
Segment liabilities[6)]	927	0	8,655	9,582

1) Segment "Reconciliation" includes information that can be allocated to neither the "Marketed Products" segment nor the "Drug Candidates" segment, as it does not depict any activities.
2) Intersegment sales are eliminated for consolidation purposes.
3) Segment operating result does not include any interest income (Q2 2010: € 3 thousand; Q2 2009: € 29 thousand), any interest expense (Q2 2010: € 1 thousand; Q2 2009: € 0 thousand), any foreign exchange gains or losses (Q2 2010: € 88 thousand; Q2 2009: € -275 thousand), any gains or losses from derivative financial instruments (Q2 2010: € 1,406 thousand; Q2 2009: € -618 thousand), or any share of gain or loss of an associate (Q2 2010: € 713 thousand; Q2 2009: € -391 thousand).
4) Segment investments relate to additions to property, plant, and equipment, and intangible assets.

Segment reporting by business units

In T€	Marketed Products	Drug Candidates	Reconciliation[1)]	Total
6M 2010				
Revenue with external customers	25,128	4	0	25,132
Other income	0	38	1	39
Intersegment sales[2)]	0	0	0	0
Total revenue	**25,128**	**42**	**1**	**25,171**
Segment operating result[3)]	**4,565**	**-10,374**	**1**	**-5,808**
Depreciation	-2	-359	-54	-415
Share of result of an associate	0	0	114	114
Assets				
Investment in an associate	0	0	2,256	2,256
Segment investments[4)]	0	231	6	237
Segment assets[5)]	**4,810**	**43,747**	**17,609**	**66,166**
Segment liabilities[6)]	**93**	**0**	**10,408**	**10,501**
6M 2009				
Revenue with external customers	18,560	25	0	18,585
Other income	12	1,366	25	1,403
Intersegment sales[2)]	0	0	0	0
Total revenue	**18,572**	**1,391**	**25**	**19,988**
Segment operating result[3)]	**2,190**	**-9,411**	**25**	**-7,196**
Depreciation	-2	-342	-70	-414
Share of result of an associate	0	0	-698	-698
Assets				
Investment in an associate	0	0	3,013	3,013
Segment investments[4)]	1	77	201	279
Segment assets[5)]	**3,809**	**43,199**	**23,606**	**70,614**
Segment liabilities[6)]	**927**	**0**	**8,655**	**9,582**

1) Segment “Reconciliation” includes information that can be allocated to neither the "Marketed Products" segment not the "Drug Candidates" segment, as it does not depict any activities.
2) Intersegment sales are eliminated for consolidation purposes.
3) Segment operating result does not include any interest income (6M 2010: € 7 thousand; 6M 2009: € 111 thousand), any interest expense (6M 2010: € 1 thousand; 6M 2009: € 5 thousand), any foreign exchange gains or losses (6M 2010: € 14 thousand; 6M 2009: € -767 thousand), any gains from derivative financial instruments (6M 2010: € 2,380 thousand; 6M 2009: € 239 thousand), or any share of gain or loss of an associate (6M 2010: € 114 thousand; 6M 2009: € -698 thousand).
4) Segment investments relate to additions to fixed and intangible assets.
5) Segment assets under “Reconciliation” include non-current assets (6M 2010: € 3,485 thousand; 6M 2009: € 4,236 thousand), cash and cash equivalents (6M 2010: € 8,200 thousand; 6M 2009: € 13,523 thousand), and other current assets (6M 2010: € 5,924 thousand; 6M 2009: € 5,847 thousand).
6) Segment liabilities under “Reconciliation” include non-current liabilities (6M 2010: € 235 thousand; 6M 2009: € 236 thousand), trade accounts payable and other liabilities (6M 2010: € 10,007 thousand; 6M 2009: € 7,727 thousand), and accruals (6M 2010: € 166 thousand; 6M 2009: € 692 thousand).

The income in the individual segments is generated by external business relationships.

The transfer prices between the business units and regions are determined on the usual market terms among third parties.

The business units are composed as follows:

Marketed products:

• Eligard® for the treatment of hormone-dependent, advanced prostate cancer
• Veregen® for the treatment of genital warts

Drug candidates & technologies:

• EndoTAG™-1 for the treatment of solid tumors
• RhuDex® for the treatment of rheumatoid arthritis
• oHSV for the treatment of various types of cancer

• EndoTAG™ technology
• oHSV technology
• AAVLP technology

J) Other notes

Contingent liabilities

There were no accruals for the contingent liabilities listed below, as the risk of their utilization is regarded as improbable.

Within the framework of existing license agreements, MediGene has committed to making milestone payments of approximately € 9.5 million to the respective licensor. The management does not believe that any accrual needs to be formed for this, as the corresponding payments will not become due until certain milestones are reached.

The company leases office and laboratory facilities, office furnishings, laboratory equipment, and vehicles. They constitute operating leases given the fact that the contractual agreement does not transfer the risks and rewards to the Group. The lease agreements have varying conditions, rental increase clauses, and extension options.

The Group's periods of notice range between one month and ten years for these lease agreements.

K) Board of Directors and Supervisory Board

„Directors' Holdings" and notes on subscription rights

Members	Shares 6M 2010	Shares Y 2009	Options 6M 2010	Options Y 2009
Prof. Dr. Ernst-Ludwig Winnacker Supervisory Board Chairman, Co-founder	274,476	274,476	0	0
Prof. Dr. Norbert Riedel Supervisory Board Vice Chairman	3,300	3,300	0	0
Dr. Pol Bamelis Supervisory Board Member	400	400	0	0
Sebastian Freitag Supervisory Board Member	2,500	2,500	0	0
Dr. Mathias Albert Boehringer Supervisory Board Member	0	0	0	0
Dr. Thomas Werner Supervisory Board Member (since February 2, 2010)	0	-	0	-
Total Supervisory Board	280,676	280,676	0	0
Dr. Frank Mathias Chief Executive Officer	2,000	0	57,500	57,500
Dr. Thomas Klaue Chief Financial Officer (until April 17, 2010)	4,500	4,500	65,833	65,833
Arnd Christ Chief Financial Officer (since April 17, 2010)	0	-	0	-
Total Executive Board	6,500	4,500	123,333	123,333

(Status as at June 30, 2010, and December 31, 2009)

Financial calendar/imprint

2010

November 12
9-Months Report 2010
Analysts conference call

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