MediGene

3-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 receptor-negative breast cancer					
RhuDex®	Rheumatoid arthritis					
Chance of reaching the market[3]:		10 - 30%	30 - 60%	60 - 80%	80 - 90%	

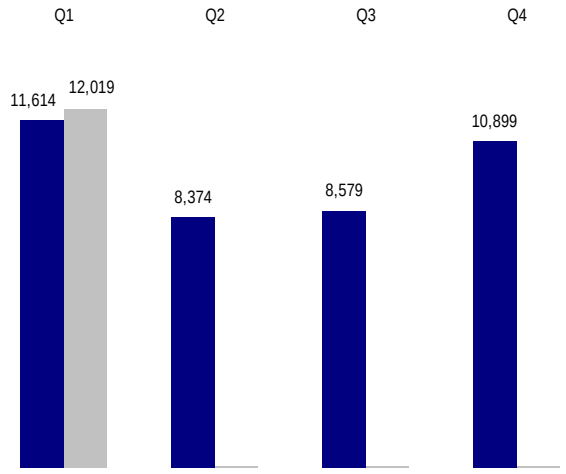
[1] Licensed from Tolmar Therapeutics, Inc. (formerly QLT USA, Inc.), marketing partnership with Astellas Pharma Europe Ltd.
[2] Marketing partnership with Nycomed US, Inc. for the US market, various marketing partnerships for Europe and Asia.
[3] Industrial average, source: Ernst & Young, 2009.

MediGene's key figures

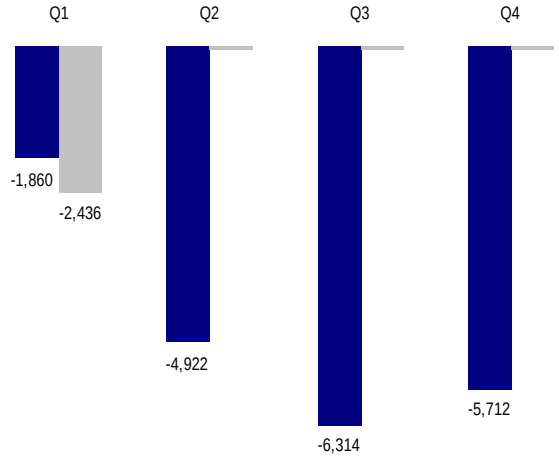
In € thousand	Q1 2010	Q1 2009	Change
Income statement			
Product sales	12,006	10,366	16%
Other operating income	13	1,248	-99%
Total revenue	12,019	11,614	3%
Cost of sales	-8,513	-7,618	12%
Gross profit	3,506	3,996	-12%
Selling, general, and administrative expenses	-2,066	-2,036	1%
Research and development expenses	-4,080	-4,028	1%
EBITDA	-2,436	-1,860	31%
Operating result	-2,640	-2,068	28%
Result before income tax	-2,335	-1,933	21%
Net loss for the period	-2,335	-1,933	21%
Net loss per share in €	-0.07	-0.06	15%
Weighted average number of shares outstanding	35,640,507	34,028,561	5%
Personnel expenses	-2,318	-3,082	-25%
Cash flow			
Cash flow from operating activities	-5,955	-8,304	-28%
Cash flow from investing activities	-65	-120	-46%
Cash flow from financing activities	1,992	-37	>-200%
Balance sheet data as at March 31			
Cash and cash equivalents	8,181	16,647	-51%
Balance sheet total	62,922	72,813	-14%
Current liabilities	11,125	8,014	39%
Non-current liabilities	244	347	-30%
Shareholders' equity	51,553	64,452	-20%
Equity ratio in %	82	89	-7%
Employees as at March 31	109	126	-13%
MediGene share as at March 31			
Total number of shares outstanding	36,132,205	34,028,561	6%
Share price (Closing price, XETRA)	3.33	3.72	-10%
Dividend in €	0	0	-%

MediGene's performance 2009 / 2010

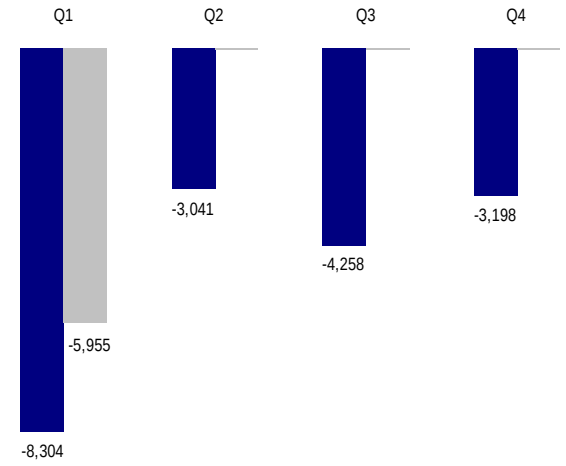
Total revenue
in € thousand



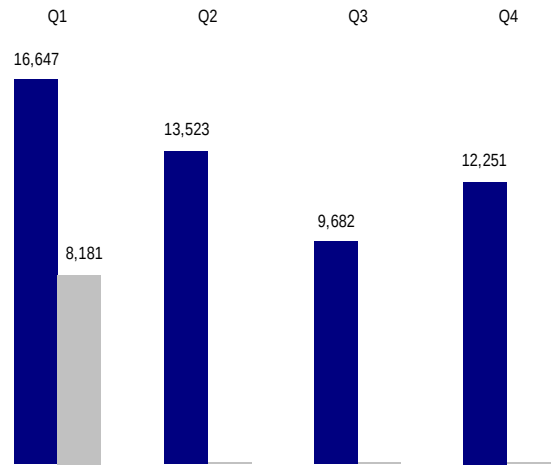
EBITDA
in € thousand



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 €	3M 2010	3M 2009
3-months high	3.92	4.80
3-months low	3.33	3.29
Price at the beginning of the year	3.64	4.28
Closing price	3.33	3.72
Average price since beginning of the year	3.68	4.03
Weighted average number of shares outstanding	35,640,507	34,028,561
Average market capitalization (€ million)	131	137
Average daily trading volume in shares	160,774	76.747
Total number of shares outstanding (March 31)	36,132,205	34,028,561
Cash flow from operating activities/share*	-0.16	-0.25
Shareholders' equity/share*	1.43	1.89
Free float** (%)	93	81

* Reference: Total number of shares outstanding ** Source: MediGene and Deutsche Börse, March 31, 2010

Group management's discussion and analysis Q1 2010

FINANCIAL DEVELOPMENT IN THE FIRST QUARTER OF 2010

- Total revenue increased to € 12.0 million (Q1 2009: € 11.6 million)
- Increase of EBITDA loss to € -2.4 million (Q1 2009: € -1.9 million)
- Cash and cash equivalents at closing date March 31, 2010: € 8.2 million (December 31, 2009: € 12.3 million)
- R&D expenses and selling, general, and administrative expenses largely constant

MAJOR EVENTS SINCE THE BEGINNING OF THE YEAR

- German market launch of Veregen® by Solvay
- Conclusion of partnership agreement with Teva for the commercialization of Veregen® in Israel

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®

Meanwhile, the one-month, three-month, and six-month dosages of MediGene's drug 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 first quarter of 2010 compared to last year's reporting period.

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 mid-February 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 Solvay Arzneimittel GmbH, Hannover, and for Greece and Cyprus with Meditrina Pharmaceuticals, Athens, Greece. Moreover, a marketing partnership has been concluded in Asia: an agreement for the market in Israel was closed with Teva Pharmaceutical Industries Ltd., Petach Tikva, Israel. The assessment process for the market approval application submitted in 2007 to the regulatory authorities in Germany, Austria, and Spain was concluded with positive outcome in July 2009. The marketing authorization for Germany has been granted already and shall serve as a reference for approval procedures in other European countries ("mutual recognition procedure"). In March 2010, the first market launch in a European country took place in Germany.

Drugs on the basis of EndoTAG™

The drug candidate EndoTAG™-1 selectively attacks tumor-supplying blood vessels. EndoTAG™-1 is a positively charged lipid complex which selectively accumulates around the negatively charged cells lining the newly formed tumor blood vessels. There the active ingredient in EndoTAG™-1, the cytostatic drug paclitaxel, is discharged in order to destroy these blood vessels, thus cutting off the nutrient supply of the tumor tissue.

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 with 200 patients participating showed substantially extended survival time of those patients treated with EndoTAG™-1 in combination with gemcitabine, compared to those patients 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.

In 2007, MediGene initiated a phase II trial of the drug candidate EndoTAG™-1 for the treatment of triple receptor-negative breast cancer. The objective of this trial is 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. This trial is conducted by more than 20 cancer centers in several European countries and in India. With the inclusion of 135 participants, patient recruitment was concluded in October 2009, and the final evaluation of this trial is expected during the second quarter of 2010.

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 being prepared.

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 platform technology is based on AAV-like particles which MediGene expects to utilize for the development of prophylactic and therapeutic vaccines. The AAV technology is to be spun off into an independent enterprise.

ASSETS POSITION

Cash position € 8.2 million; equity ratio 82%; liquidity cover ratio 13%

Development of the assets and capital structure

In € thousand	March 31, 2010 unaudited	Dec. 31, 2009 audited	Change
Assets			
Fixed and intangible assets	31,401	31,566	-1%
Goodwill	11,273	11,272	0%
Financial assets	155	155	0%
Investment in an associate	1,365	1,961	-30%
Cash and cash equivalents	8,181	12,251	-33%
Inventories and receivables	4,163	2,204	89%
Other current assets	6,384	6,314	1%
Total	62,922	65,723	-4%
Liabilities and shareholders' equity			
Shareholders' equity	51,553	51,873	-1%
Non-current liabilities	244	244	0%
Current liabilities	11,125	13,606	-18%
Total	62,922	65,723	-4%
Liquidity cover ratio in %	13	19	
Equity ratio in %	82	79	

FINANCIAL POSITION

Cash flow from operating activities

Cash used by operating activities decreased by 28% to € -5,955 thousand in the first quarter of 2010 (Q1 2009: € -8,304 thousand). The difference between the net loss for the period and cash used in the first 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 quarter of 2010 was € 2.0 million (Q1 2009: € 2.8 million).

Cash flow from investing activities

During the first quarter of 2010, cash used by investing activities amounted to € -65 thousand (Q1 2009: € -120 thousand).

Change in cash and cash equivalents

In € thousand	Q1 2010 unaudited	Q1 2009 unaudited	Change
Net cash			
used by operating activities	-5,955	-8,304	-28%
used by investing activities	-65	-120	-46%
from/used by financing activities	1,992	-37	>-200%
Decrease in cash and cash equivalents	-4,028	-8,461	-52%
Cash and cash equivalents at the beginning of the period	12,251	25,101	-51%
Foreign exchange differences	-42	7	>-200%
Cash and cash equivalents at the end of the period	8,181	16,647	-51%

As at closing date March 31, 2010, cash and cash equivalents totaled € 8,181 thousand.

Cash from SEDA program

In March 2010, MediGene carried out a capital increase in cash under the terms of the SEDA program. In exchange for the issue of 574,712 shares, MediGene collected gross proceeds totaling € 2 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 (SEDA: Standby Equity Distribution Agreement). For a period of 36 months following 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 approx. € 8.1 million has been called from this agreement.

EARNINGS POSITION

Total revenue

Total revenue amounted to € 12,019 thousand in the first quarter of 2010 (Q1 2009: € 11,614 thousand). It was generated mainly by sales and royalties on sales of the drug Eligard® in Europe. In addition, milestone payments received for the German market launch of Veregen® contributed to revenue. In last year's reporting period, a one-time payment of € 1,080 thousand was collected, with no expenses vis-à-vis.

Consolidated income statement (abbreviated)

In € thousand	Q1 2010 unaudited	Q1 2009 unaudited	Change
Total revenue	12,019	11,614	3%
Cost of sales	-8,513	-7,618	12%
Gross profit	3,506	3,996	-12%
Selling, general, and administrative expenses	-2,066	-2,036	1%
Research and development expenses	-4,080	-4,028	1%
Operating result	-2,640	-2,068	28%
Result before income tax	-2,335	-1,933	21%
Net loss for the period	-2,335	-1,933	21%

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 € 8,513 thousand in the first quarter of 2010 (Q1 2009: € 7,618 thousand) and is allocated mainly to the purchase of the products and to royalties paid on the sales revenue.

Gross profit

In the first quarter of 2010, gross profit decreased to € 3,506 thousand (Q1 2009: € 3,996 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 remained largely unchanged, i.e. totaling € 2,066 thousand (Q1 2009: € 2,036 thousand).

Research and development expenses

In the first quarter of 2010, R&D expenses of € 4,080 thousand (Q1 2009: € 4,028 thousand) also remained largely unchanged compared to last year's reporting period. The major part of these costs was incurred within the scope of the clinical development of EndoTAG™-1.

EBITDA

MediGene uses the term EBITDA as earnings before interest, tax, foreign currency gains/losses, and depreciation of fixed and intangible assets. The loss on EBITDA basis totaled € 2,436 thousand in the first quarter of 2010. This represents an increase by 31% compared to last year's reporting period (Q1 2009: € 1,860 thousand).

Depreciation

Depreciation slightly decreased to € 204 thousand in the first quarter of 2010 (Q1 2009: € 208 thousand).

Financial result

As a result of gains from a derivative financial instrument, the financial result increased to € 904 thousand in the reporting period (Q1 2009: € 442 thousand). The contract for the commercialization of Eligard® concluded with Astellas Pharma includes an embedded, non-cash derivative, since the contract is processed in US dollars and not in the functional currency of one of the two contracting parties. Foreign currency losses result from the translation of US dollar and British pound into euro.

Financial result

In € thousand	Q1 2010 unaudited	Q1 2009 unaudited	Change
Interest income	5	83	-94%
Interest expense	0	-5	-%
Subtotal	5	78	-94%
Gains from derivative financial instruments	973	856	14%
Foreign exchange losses	-74	-492	-85%
Total	904	442	105%

3-months result

In the first three months of 2010, the loss for the period increased by 21% to € 2,335 thousand compared to € 1,933 thousand in the first quarter of 2009. This increase in loss is primarily due to the fact that revenue was generated nearly solely by product sales set off against the respective cost of sales. In last year's reporting period, a one-time payment was included for which no cost of sales was incurred.

Net loss per share

In the first three months of 2010, the loss per share increased to € 0.07 (weighted average number of shares: 35,640,507), compared to € 0.06 loss per share in last year's reporting period (Q1 2009: weighted average number of shares: 34,028,561).

HUMAN RESOURCES

Corporate headcount decreased by 13% to 109 (Q1 2009: 126 employees) during the first three months of 2010, compared with last year's reporting period. Personnel expenses decreased by 25% to € 2,318 thousand (Q1 2009: € 3,082 thousand).

SEGMENT INFORMATION

Segment information is provided on page 17 et seq. of the appendix.

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 March 31, 2010, no changes to the state described therein have occurred.

Legal disputes

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.

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 REPORTING PERIOD

Conclusion of Veregen® partnership for Greece

MediGene concludes a partnership agreement with Meditrina Pharmaceuticals for the commercialization of Veregen® in Greece and Cyprus.

Spin-off of the oHSV program

MediGene divests the oncolytic HSV program to the newly founded company Catherex, Inc., a privately owned enterprise in Philadelphia, Pennsylvania, and receives in return a 40% stake in Catherex in the form of shares. Assignment of rights from MediGene to Catherex is subject to adequate financing of the newly founded company.

Arnd Christ appointed CFO

In April 2010, Arnd Christ was appointed new Chief Financial Officer of MediGene AG. The previous CFO, Dr. Thomas Klaue, resigned from office.

Equity capital base strengthened by exercise of the SEDA option

At the beginning of May 2010, MediGene AG called another tranche from the SEDA program. Proceeds collected against issue of 362,318 shares totaled € 1 million.

First results obtained in another phase II clinical trial of EndoTAG™-1

MediGene published first preliminary results obtained in a phase II clinical trial of EndoTAG™-1 for the treatment of triple receptor-negative breast cancer.

FORECAST

Financial forecast 2010

MediGene expects to sign one or more development and marketing partnerships for EndoTAG™-1 in 2010 which are expected to have a significant effect on the result for the year. However, the financial impact of these agreements is as yet difficult to assess. Irrespective of any payments to be received under the terms of these potential agreements, MediGene still expects revenue to increase to more than € 40 million in 2010, mainly generated by product sales of Eligard® and Veregen®. A financial outlook for the year 2010 can be given only after conclusion of the partnering process for EndoTAG™-1, since both, proceeds as well as composition and amount of the development expenses will largely depend on the structuring of these partnerships.

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

Eligard® - continuing increase in sales expected

MediGene anticipates a continuous rise in the Eligard® market share in Europe and a further increase in total sales revenue from Eligard® for 2010 as well.

Veregen® – increasing sales revenue in the USA

In February 2010, MediGene's marketing partner Nycomed increased its sales force for the commercialization of the drug Veregen® in the USA to more than 40 persons. Since German market launch in March 2010, the ointment is also available in Europe. Therefore, MediGene expects increasing sales revenues in fiscal year 2010 from the commercialization of the ointment. Moreover, MediGene intends to conclude further partnership agreements.

EndoTAG™-1 - publication of clinical trial results and conclusion of partnering process expected

Since April 2007, MediGene has been conducting a phase II clinical trial of EndoTAG™-1 for the treatment of triple receptor-negative breast cancer. Patient recruitment was completed in October 2009, so the results of this trial are expected in the second quarter of 2010.

MediGene aims at the conclusion of one or more development partnerships for the further development of EndoTAG™-1 with pharmaceuticals or biotech companies.

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 not later than in the first quarter of 2011.

Consolidated income statement
of MediGene AG for the periods from January 1 to March 31, 2010 and 2009

In € thousand	Q1 2010 unaudited	Q1 2009 unaudited
1. Product sales	12,006	10,366
2. Other operating income	13	1,248
3. Total revenue	12,019	11,614
4. Cost of sales	-8,513	-7,618
5. Gross profit	3,506	3,996
6. Selling expenses	-596	-477
7. General and administrative expenses	-1,470	-1,559
8. Research and development expenses	-4,080	-4,028
9. Operating result	-2,640	-2,068
10. Interest income	5	83
11. Interest expense	0	-5
12. Foreign exchange losses	-74	-492
13. Gains from derivative financial instruments	973	856
14. Share of loss of an associate	-599	-307
15. Result before income tax	-2,335	-1,933
16. Taxes	0	0
17. Net loss for the period	-2,335	-1,933
Net loss per share:		
Actual and fully diluted in €	-0.07	-0.06
Weighted average number of shares outstanding	35,640,507	34,028,561

Consolidated statement of comprehensive income
of MediGene AG for the periods from January 1 to March 31, 2010 and 2009

In € thousand	Q1 2010 ungeprüft	Q1 2009 ungeprüft
1. Net loss for the period	-2,335	-1,933
2. Exchange differences on translation of foreign operations*	-33	1,052
3. Unrealized gains on hedge of a net investment*	3	328
4. Other comprehensive income for the period, net of tax	-30	1,380
5. Total comprehensive income for the period, net of tax	-2,365	-553

* No income tax effects were incurred.

Consolidated balance sheet

of MediGene AG as of March 31, 2010 and December 31, 2009

In € thousand	March 31, 2010 unaudited	December 31, 2009 audited
Assets		
A. Non-current assets		
I. Property, plant & equipment	1,000	1,063
II. Intangible assets	30,401	30,503
III. Goodwill	11,273	11,272
IV. Financial assets	152	152
V. Investment in an associate	1,365	1,961
VI. Other non-current assets	3	3
Total non-current assets	44,194	44,954
B. Current assets		
I. Inventories	2,260	1,455
II. Trade accounts receivable	1,903	749
III. Cash and cash equivalents	8,181	12,251
IV. Other current assets	6,384	6,314
Total current assets	18,728	20,769
Total assets	62,922	65,723
Liabilities and shareholders' equity		
A. Shareholders' equity		
I. Subscribed capital		
Number of shares issued and outstanding:		
December 31, 2009: 35,557,493		
March 31, 2010: 36,132,205	36,132	35,557
II. Additional paid-in capital	341,957	340,487
III. Accumulated deficit	-317,564	-315,229
IV. Other reserves	-8,972	-8,942
Total shareholders' equity	51,553	51,873
B. Non-current liabilities		
I. Financial liabilities	9	9
II. Pension obligation	235	235
Total non-current liabilities	244	244
C. Current liabilities		
I. Trade accounts payable	3,409	2,452
II. Derivative financial instruments	770	1,743
III. Other current liabilities	6,583	8,843
IV. Accruals	268	470
V. Deferred income	95	98
Total current liabilities	11,125	13,606
Total liabilities	11,369	13,850
Total liabilities and shareholders' equity	62,922	65,723

Consolidated statement of cash flow
for the periods from January 1 to March 31, 2010 and 2009

In € thousand	Q1 2010 unaudited	Q1 2009 unaudited
Cash flow from operating activities		
Net loss for the period (before taxes)	-2,335	-1,933
Adjustments to reconcile net loss before tax to net cash used by operating activities:		
Stock-based compensation	53	99
Depreciation	204	208
Losses on sale of property, plant & equipment	35	0
Interest income	-5	-83
Interest expense	0	5
Changes in:		
Inventories	-805	998
Other assets and prepaid expenses	-1,225	-535
Trade accounts payable	956	-5,019
Accruals	-201	0
Other liabilities and deferred income	-3,236	-2,422
Share of net loss of an associate	599	307
Subtotal:	-5,960	-8,375
Interest received	5	76
Interest paid	0	-5
Net cash used by operating activities	-5,955	-8,304
Cash flow from investing activities		
Purchase of property, plant & equipment	-65	-120
Net cash used by investing activities	-65	-120
Cash flow from financing activities		
Proceeds from capital increase	2.000	0
Expenses on capital increase	-8	0
Repayments of convertible bonds	0	-37
Net cash from/used by financing activities	1,992	-37
Decrease in cash and cash equivalents	-4,028	-8,461
Cash and cash equivalents at the beginning of the period	12,251	25,101
Foreign exchange differences	-42	7
Cash and cash equivalents at the end of the period	8,181	16,647

Supplementary schedule of non-cash financing activities:

No new leasing obligations for new laboratory and office equipment were incurred during the first three 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 March 31, 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				-2,335			-2,335
Unrealized gains on hedge of an investment						3	3
Currency translation adjustments					-33		-33
Comprehensive income							-2,365
Shares issued	574,712	575	1,425				2,000
Expenses on shares issued			-8				-8
Stock-based compensation			53				53
Balance at March 31, 2010, unaudited	36,132,205	36,132	341,957	-317,564	-7,946	-1,026	51,553
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				-1,933			-1,933
Unrealized gains on hedge of an investment						328	328
Currency translation adjustments					1,052		1,052
Comprehensive income							-553
Stock-based compensation			99				99
Balance at March 31, 2009, unaudited	34,028,561	34,029	336,072	-295,200	-8,940	-1,509	64,452

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 March 31, 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 May 6, 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 cash flow statement, 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 Group (MediGene Group) includes two 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 from the stock option plan of Immunocore Ltd., MediGene’s stake decreased to 39.05% as at March 31, 2010.

Apart from that, MediGene held no other shares in affiliated companies, associates, or joint ventures as at March 31, 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 do not underlie any seasonal fluctuations.

D) Notes on the income statement

Embedded derivative

The contract for the commercialization of Eligard® concluded with Astellas Pharma 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 € 575 thousand from € 35,557 thousand to € 36,132 thousand as at March 31, 2010.

The subscribed capital is divided into 36,132,205 registered no-par-value common shares, approx. 93% of which were outstanding as at March 31, 2010.

Goodwill

The decrease of the reported goodwill 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 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 decreased by € 2,481 thousand from € 13,606 thousand to € 11,125 thousand as at March 31, 2010. This decrease is mainly a consequence of a reduction of other current liabilities, as well as gains from the derivative financial instrument in the first quarter of 2010 (see Notes D), page 16).

F) Notes on the statement of cash flow

In the first quarter of 2010, monthly cash used by operating activities decreased from € 2.8 million to € 2.0 million compared to last year's reporting period.

The funds shown 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 € thousand	Marketed Products	Drug Candidates	Recon-ciliation[1)]	Total
Q1 2010				
Revenue with external customers	12,006	0	0	12,006
Other income	0	13	0	13
Intersegment sales[2)]	0	0	0	0
Total revenue	**12,006**	**13**	**0**	**12,019**
Segment operating result[3)]	**2,727**	**-5,367**	**0**	**-2,640**
Depreciation	0	-175	-29	-204
Share of loss of an associate	0	0	-599	-599
Assets				
Investment in an associate	0	0	1,365	1,365
Segment investments[4)]	0	59	6	65
Segment assets[5)]	**4,163**	**41,674**	**17,085**	**62,922**
Segment liabilities[6)]	**865**	**0**	**10,504**	**11,369**
Q1 2009				
Revenue with external customers	10,346	20	0	10,366
Other income	0	1,226	22	1,248
Intersegment sales[2)]	0	0	0	0
Total revenue	**10,346**	**1,246**	**22**	**11,614**
Segment operating result[3)]	**1, 807**	**-3,897**	**22**	**-2,068**
Depreciation	-1	-171	-36	-208
Share of loss of an associate	0	0	-307	-307
Assets				
Investment in an associate	0	0	3,141	3,141
Segment investments[4)]	1	61	58	120
Segment assets[5)]	**4,130**	**40,796**	**27,887**	**72,813**
Segment liabilities[6)]	**309**	**0**	**8,052**	**8,361**

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 (Q1 2010: € 5 thousand; Q1 2009: € 83 thousand), any interest expense (Q1 2010: € 0 thousand; Q1 2009: € 5 thousand), any foreign exchange losses (Q1 2010: € 74 thousand; Q1 2009: € 492 thousand), any gains from derivative financial instruments (Q1 2010: € 973 thousand; Q1 2009: € 856 thousand), or any share of loss of an associate (Q1 2010: € 599 thousand; Q1 2009: € 307 thousand).

4) Segment investments relate to additions to property, plant, and equipment and intangible assets.

5) Segment assets under "Reconciliation" include non-current assets (Q1 2010: € 2,520 thousand; Q1 2009: € 4,435 thousand), cash and cash equivalents (Q1 2010: € 8,181 thousand; Q1 2009: € 16,647 thousand), and other current assets (Q1 2010: € 6,384 thousand; Q1 2009: € 6,805 thousand).

6) Segment liabilities under "Reconciliation" include non-current liabilities (Q1 2010: € 244 thousand; Q1 2009: € 347 thousand), trade accounts payable and other liabilities (Q1 2010: € 9,992 thousand; Q1 2009: € 7,250 thousand), and accruals (Q1 2010: € 268 thousand; Q1 2009: € 455 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) Executive and Supervisory Boards

"Directors' holdings" and notes on subscription rights

Members	Shares 3M-2010	Shares J-2009	Options 3M-2010	Options J-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	0	-	0	-
Total Supervisory Board	280,676	280,676	0	0
Dr. Frank Mathias Chief Executive Officer	0	0	57,500	57,500
Dr. Thomas Klaue Chief Financial Officer	4,500	4,500	65,833	65,833
Total Executive Board	4,500	4,500	123,333	123,333

(Status as at March 31, 2010, and December 31, 2009)

Financial calendar/imprint

2010

May 11
Annual shareholders' meeting 2010
Munich

August 6
6-Months Report 2010
Analysts conference call

November 12
9-Months Report 2010
Analysts conference call

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