MediGene

RESHAPED

3-Months Report 2011

MediGene's products and clinical projects

Product	Indication	Pre-clinic	Clinical phase I	Clinical phase II	Clinical phase III	Approval	Market
Marketed Drugs							
Eligard®[1)]	Prostate cancer						
Veregen®	Genital warts						
Drugs in development							
EndoTAG®-1	Pancreatic cancer						
	Hormone-resistant breast cancer						
RhuDex®	Rheumatoid arthritis						
AAVLP	Vaccine technology						
Chance of reaching the market[2)]		< 10 %	< 15 %	< 30 %	< 70 %	< 90 %	

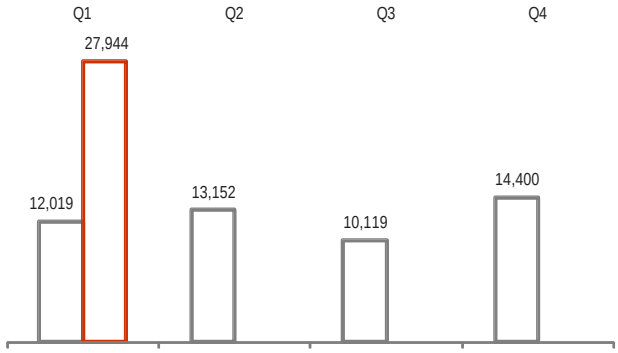
1) Sold to Astellas Pharma Europe Ltd. for € 25 million and future participation in revenue
2) Industrial average, estimates of MediGene AG

MediGene's key figures

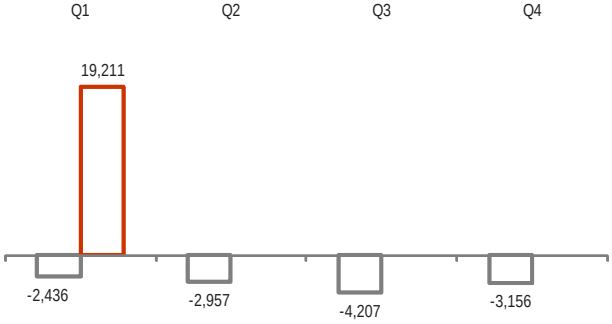
In € thousand	Q1 2011	Q1 2010	Change
Income statement			
Product sales	380	729	-48%
Other operating income	268	13	>200%
Total revenue	648	742	-13%
Cost of sales	-80	-63	27%
Gross profit	568	679	-16%
Selling, general, and administrative expenses	-1,644	-1,964	-16%
Research and development expenses	-2,029	-4,080	-50%
EBITDA	19,211	-2,436	>-200%
Operating result from continued operations	-3,105	-5,365	-42%
Result from continued operations before tax	-3,466	-6,033	-43%
Result from continued operations	-3,105	-6,033	-49%
Product sales from discontinued operations	27,296	11,277	142%
Result from discontinued operations	20,090	3,698	>200%
Net result for the period	16,985	-2,335	>-200%
Earnings per share (basic and diluted) in €	0.46	-0.07	>-200%
Weighted average number of shares (basic)	37,082,758	35,640,507	4%
Weighted average number of shares (diluted)	37,110,319	35,640,507	4%
Personnel expenses	-1,729	-2,318	-25%
Cash flow statement			
Cash flow from operating activities	14,463	-5,955	>-200%
Cash flow from investing activities	-128	-65	97%
Cash flow from financing activities	0	1,992	-%
Balance sheet data as at March 31			
Cash and cash equivalents	18,801	8,181	130%
Balance sheet total	66,389	62,922	6%
Current liabilities	8,835	11,125	-21%
Non-current liabilities	247	244	1%
Shareholders' equity	57,307	51,553	11%
Equity ratio in %	86	82	5%
Employees as at March 31	60	109	-45%
MediGene share as at March 31			
Total number of shares outstanding	37,082,758	36,132,205	3%
Share price (XETRA closing price)	2.05	3.33	-38%
Dividend in €	0	0	-%

MediGene's performance 2010/2011

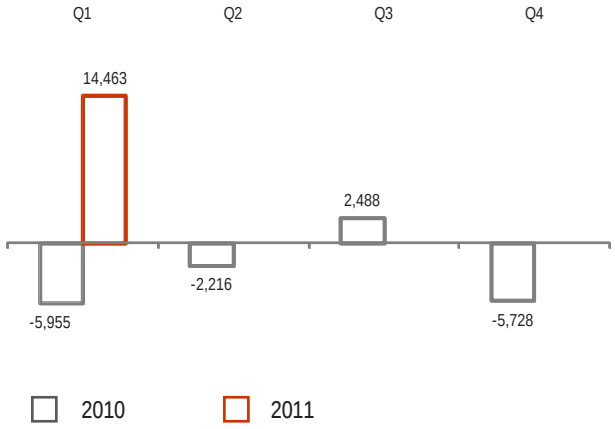
Total revenue from continued and product sales from discontinued operations
in € thousand



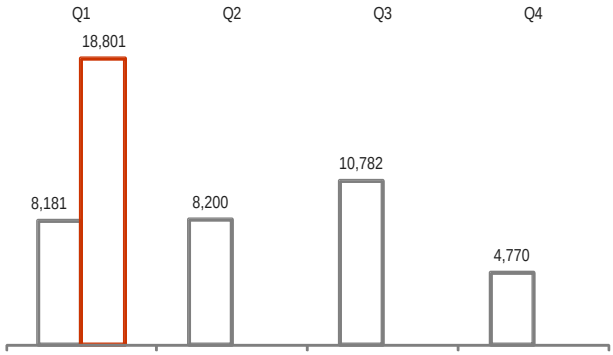
EBITDA
in € thousand



Cash flow from operating activities
in € thousand



Cash and cash equivalents
in € thousand



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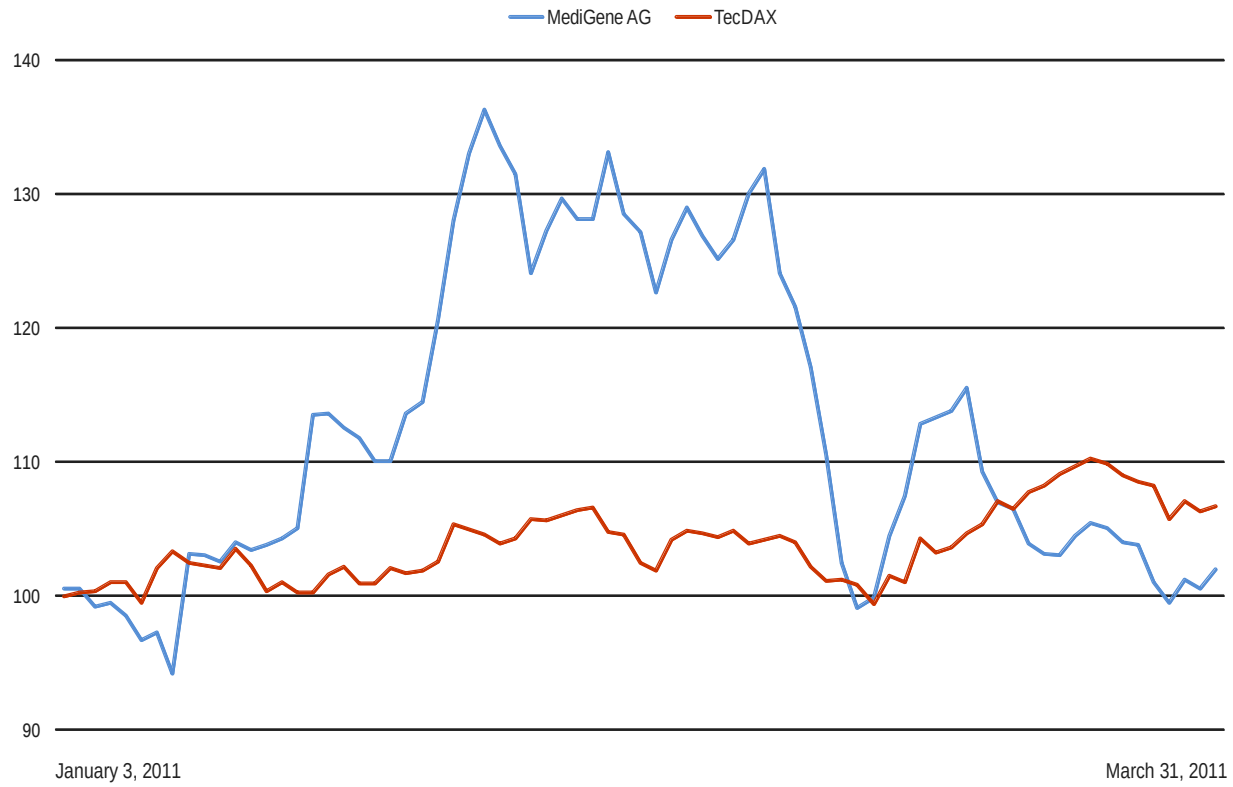
The MediGene share price performance

(January 3, 2011 € 1.99 indexed to 100)



Key figures for the MediGene share

In €	3M 2011	3M 2010
3-months high	2.71	3.92
3-months low	1.87	3.33
Price at the beginning of the year	1.99	3.64
Closing price	2.05	3.33
Average price since beginning of the year	2.28	3.68
Weighted average number of shares (basic)	37,082,758	35,640,507
Weighted average number of shares (diluted)	37,110,319	35,640,507
Average market capitalization (€ million)	85	131
Average daily trading volume (in shares)	214,012	160,774
Total number of shares outstanding	37,082,758	36,132,205
Cash flow from operating activities per share[1)]	0.39	-0.16
Shareholders' equity per share[1)]	1.55	1.13
Free Float[2)] (%)	93	93

[1)] Reference amount: total number of shares outstanding

[2)] Source: MediGene AG, German Stock Exchange

Group interim management's discussion and analysis Q1 2011

of MediGene AG, Planegg/Martinsried, Germany, for the period from January 1 to March 31, 2011

Financial development in the first quarter of 2011

- Increase in total revenue from continued and in product sales from discontinued operations to € 27.9 million (Q1 2010: € 12.0 million)
- Positive EBITDA result of € 19.2 million (Q1 2010: € -2.4 million)
- Net profit of € 17.0 million (Q1 2010: € -2.3 million)
- Cash and cash equivalents of € 18.8 million as at closing date March 31, 2011 (December 31, 2010: € 4.8 million)

Major events in the first quarter of 2011

- Conclusion of further partnerships for the commercialization of Veregen®:
  - Laboratoires Expanscience for France
  - Meditrina for Romania and Bulgaria
  - Pierre Fabre for Mexico, Central America, Venezuela, and Colombia
  - Will-Pharma for Belgium, the Netherlands, and Luxembourg
- Veregen® market approval granted in Spain
- Transfer of Eligard® rights for EU countries to Astellas completed

Preliminary notes

MediGene develops drugs to treat cancer and autoimmune diseases

MediGene AG, Planegg/Martinsried, Germany (hereinafter referred to as "MediGene") is a biopharmaceutical company that specializes in the research and development of innovative drugs to treat cancer and autoimmune diseases.

Development state of product portfolio

MediGene generates revenue from two drugs on the market. Both of them are distributed by partners. In addition, MediGene possesses a research and development portfolio in the fields of oncology and immunology.

Eligard®

Eligard®, a drug for the treatment of hormone-dependent prostate cancer, is marketed by MediGene's partner Astellas Pharma Europe Ltd. (hereinafter referred to as »Astellas«), Staines, UK in most European countries. Effective March 1, 2011, MediGene transferred the EU marketing rights for Eligard® to Astellas. On March 3, 2011, MediGene received the second payment which totals € 15 million, following the agreement signed in July 2010. Starting March 1, 2011, MediGene is entitled to receive a 2% participation in Eligard® net sales. Since that date, MediGene no longer bears any costs or performance obligations that arise in connection with the supply of Astellas with Eligard®, while continuing to participate in the future growth in sales of the drug.

Veregen®

The drug Veregen® for the treatment of genital warts was developed by MediGene AG, and has been available in the USA, Germany, and Austria. Market approval for Spain was granted in March 2011. In the USA, Veregen® has been promoted and distributed on the US market since 2009 by MediGene's partner Nycomed US, Inc., Melville, New York, USA. In 2010 Veregen® was launched in Germany and Austria by local sales companies of the Abbott group. MediGene is entitled to successive payments due upon the achievement of set milestones, and will additionally receive a participation in sales of Veregen®. Additional revenue is generated from the sale of the active ingredient to the marketing partners. For the commercialization of the drug in Spain and Portugal, a partnership was concluded with the Spanish company Juste S.A.Q.F. in 2009. In 2010, further marketing partnership agreements were signed withTeva Pharmaceutical Industries Ltd. for the commercialization of Veregen® in Israel, with Meditrina Pharmaceuticals, Ltd. for Greece and Cyprus, with GC-RISE Pharmaceutical Co., Ltd. for China, and with JS Bio Pharm Co., Ltd. for the commercialization of Veregen® in South Korea. In the first quarter of 2011, additional marketing partnerships were concluded for France (Laboratoires Expanscience), for Romania and Bulgaria (Meditrina), for Mexico, Central America, Venezuela, and Colombia (Pierre Fabre Medicament), and for the Benelux countries (Will-Pharma).

EndoTAG®-1

The clinical drug candidate EndoTAG®-1 is a formulation of positively charged liposomes with the therapeutic substance paclitaxel embedded therein. EndoTAG®-1 attacks activated endothelial cells in newly formed blood vessels of the tumor, which is expected to suppress tumor growth. MediGene successfully completed two phase II clinical trials of EndoTAG®-1 in pancreatic cancer and triple negative breast cancer, and has developed a cost-effective production process. EndoTAG®-1 has been granted orphan drug designation in Europe and in the USA, which provides benefits in the development, approval process, and, under certain circumstances, for the commercialization of drugs.

RhuDex®

RhuDex® is being developed by MediGene as an agent to treat autoimmune diseases such as rheumatoid arthritis. It is an orally available CD80 antagonist that blocks T-cell activation and thus has an immunosuppressive and anti-inflammatory effect. In the first quarter of 2011, MediGene successfully conducted preclinical trials in order to prepare for the continuation of clinical development.

AAVLP technology

MediGene has developed an innovative technology platform for drug discovery, i.e. the AAVLP platform. It is based on adeno-associated virus-like particles (AAVLP) and could be used to develop prophylactic and therapeutic vaccines. MediGene is currently conducting research into the use of AAVLP technology to treat allergies and various types of cancer, and into the application of AAV libraries for the systematic identification of suitable vaccine candidates.

Income position

Product sales and other income

In the first quarter of 2011, MediGene posted milestone payments totaling € 20 million resulting from the sale of the Eligard® rights affecting net income. As a consequence of the sale of the Eligard® rights to Astellas and the subsequent transfer of these rights, this revenue, along with the sales generated with the drug Eligard® until February 2011, is to be reported as "revenue from discontinued operations", pursuant to IFRS 5 (see note D) discontinued operations). Since March 2011, MediGene is entitled to a 2% participation in European net sales of Eligard®. Since that date, this revenue is reported as other operating income.

According to this method of portrayal, total revenue from continued operations totaled € 648 thousand in the first quarter of 2011 (Q1 2010: € 742 thousand), and product sales from discontinued operations amounted to € 27,296 thousand (Q1 2010: € 11,277 thousand). Revenue from continued operations was generated from product sales of Veregen® in the USA, Germany, and Austria, which increased by 59 % to € 280 thousand (Q1 2010: € 176 thousand) and from milestone payments for Veregen®. Moreover it includes other operating income generated mainly from Eligard® product sales. Product sales from discontinued operations were generated from European Eligard® product sales and royalties.

Consolidated income statement (abbreviated)

In € thousand	Q1 2011 unaudited	Q1 2010 unaudited	Change
Total revenue	648	742	-13%
thereof Veregen®	380	729	-48%
Cost of sales	-80	-63	27%
Gross profit	568	679	-16%
Selling, general, and administrative expenses	-1,644	-1,964	-16%
Research and development expenses	-2,029	-4,080	-50%
Operating result from continued operations	-3,105	-5,365	-42%
Result from continued operations before tax	-3,466	-6,033	-43%
Result from continued operations	-3,105	-6,033	-49%
Product sales from discontinued operations	27,296	11,277	142%
Result from discontinued operations	20,090	3,698	>200%
Net result for the period	16,985	-2,335	>-200%

Cost of sales

Cost of sales from continued operations amounted to € 80 thousand in the first quarter of 2011 (Q1 2010: € 63 thousand). The cost of sales from discontinued operations incurred in connection with the commercialization of Eligard® totaled € 5,144 thousand in the first quarter of 2011 (Q1 2010: € 8,450 thousand). These costs arose from product procurement and royalties paid for sales revenue.

Gross profit

Gross profit from continued operations decreased to € 568 thousand in the first quarter of 2011 (Q1 2010: € 679 thousand). Gross profit from discontinued operations increased to € 22,152 thousand (Q1 2010: € 2,827 thousand). Gross profit is determined by the ratio of revenue from product sales to license and milestone payments.

Selling, general, and administrative expenses

Compared to last year's reporting period, selling, general, and administrative expenses from continued operations decreased from € 1,964 thousand (Q1 2010) to € 1,644 (Q1 2011). This amount is composed of € 451 thousand (Q1 2010: € 494 thousand) selling expenses, and € 1,193 thousand (Q1 2010: € 1,470 thousand) general and administrative expenses. Selling expenses from discontinued operations amounted to € 52 thousand in the first quarter of 2011 (Q1 2010: € 102 thousand).

Research and development expenses

Research and development expenses decreased to € 2,029 thousand in the first quarter of 2011 (Q1 2010: € 4,080 thousand), compared to last year's reporting period. This decrease is due mainly to a reduction of personnel expenses as well as project development expenses.

EBITDA

MediGene's EBITDA describes the result for the period excluding taxes, financial, result, depreciation, and amortization. The EBITDA result amounted to € 19,211 thousand in the first quarter of 2011 (Q1 2010: € -2.436 thousand). The portrayal of EBITDA does not require a differentiation between continued and discontinued operations.

Depreciation and amortization

In the first quarter of 2011, depreciation and amortization slightly increased to € 216 thousand (Q1 2010: € 204 thousand).

Financial result

The financial result which consists mainly of foreign currency exchange gains/losses and interest income improved to € 160 thousand in the reporting period (Q1 2010: € -69 thousand). The financial result from discontinued operations, which relates to the drug Eligard®, includes a gain amounting to € 226 thousand (Q1 2010: € 973 thousand) from a derivative financial instrument, pursuant to IAS 39.

Financial result

In € thousand	Q1 2011 unaudited	Q1 2010 unaudited	Change
Interest income	10	5	100%
Foreign exchange gains/losses	150	-74	>-200%
Total	160	-69	>-200%
Discontinued operations (derivative financial instrument)	226	973	-77%

3-months result 2011

In the first three months of 2011, a profit for the period of € 16,985 thousand (Q1 2010: € -2,335 thousand) was achieved. Compared to last year's reporting period, the result for the period from continued operations improved to € -3,105 thousand (Q1 2010: € -6,033 thousand), and the result for the period from discontinued operations increased to € 20,090 thousand (Q1 2010: € 3,698 thousand). This result is mainly a consequence of the milestone payments received for the sale of the Eligard® rights.

Earnings per share

In the first quarter of 2011, earnings per share increased to € 0.46 (weighted average number of shares basic: 37,082,758, diluted: 37,110,319), compared to the loss per share in last year's reporting period of € 0.07 je Aktie (Q1 2010: weighted average number of shares basic and diluted: 35,640,507).

Financial position

Cash from/used by operating activities

Cash from operating activities increased to € 14,463 thousand in the first quarter of 2011 (Q1 2010: € -5,955 thousand). This cash flow mainly results from the profit for the period and an increase in net working capital.

Average monthly cash flow from operating activities

In the first three months of 2011, the average monthly net cash inflow rate from operating activities amounted € 4.8 million (Q1 2010: € -2.0 million). Adjusted by the one-time effects of the milestone payments received from Astellas, the average monthly operating cash burn rate was € -0.2 million in the reporting period.

Cash used by investing activities

During the first quarter of 2011, cash used by investing activities amounted to € -128 thousand (Q1 2010: € -65 thousand).

Change in cash and cash equivalents

In € thousand	Q1 2011 unaudited	Q1 2010 unaudited	Change
Net cash			
from/used by operating activities	14,463	-5,955	>-200%
used by investing activities	-128	-65	97%
from financing activities	0	1,992	-%
Increase/decrease in cash and cash equivalents	14,335	-4,028	>-200%
Cash and cash equivalents at the beginning of the period	4,770	12,251	-61%
Foreign exchange differences	-304	-42	>200%
Cash and cash equivalents at the and of the period	18,801	8,181	130%

As at closing date March 31, 2011, cash and cash equivalents totaled € 18,801 thousand.

SEDA program

In the first quarter of 2011, MediGene did not carry out any capital increases under the terms of the SEDA program (SEDA: Standby Equity Distribution Agreement).

The SEDA program is an agreement closed between MediGene and the investment company YA Global Investments which 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 the 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. Since conclusion of the agreement, a total of approx. € 10.6 million has been called. At present, MediGene does not intend to make any further use of the SEDA program.

Assets position

Cash position € 18.8 million; equity ratio 86%; liquidity cover ratio 28%

Development of assets and capital structure

In € thousand	March 31, 2011 unaudited	Dec. 31, 2010 audited	Change
Assets			
Property, plant, and equipment and intangible assets	32,757	32,846	0%
Goodwill	2,212	2,212	0%
Other non-current assets	157	157	0%
Investment in associates	4,335	5,059	-14%
Cash and cash equivalents	18,801	4,770	>200%
Inventories and receivables	2,346	6,209	-62%
Other current assets	5,781	6,948	-17%
Total assets	66,389	58,201	14%
Liabilities and shareholders' equity			
Shareholders' equity	57,307	40,798	40%
Non-current liabilities	247	247	0%
Current liabilities	8,835	17,156	-49%
Total liabilities and shareholders' equity	66,389	58,201	14%
Liquidity cover ratio in %	28	8	
Equity ratio in %	86	70	

Employees

As a consequence of the reorganization measures decided in September 2010, the number of group employees decreased to 60 in the first three months of 2011 (Q1 2010: 109). Personnel expenses decreased to € 1,729 thousand in the reporting period (Q1 2010: € 2,318 thousand).

Segment information

Segment information is provided on page 19 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) 2010. Up to closing date March 31, 2011, no changes to the state described therein have occurred.

Legal risks

In July 2008, following the death of a volunteer who had participated in a clinical trial of 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. In view of the results of the investigation concluded so far, however, the Executive Board considers the probability of such civil action to be extremely low.

Patent risks

In June 2010, a third party opposed the grant of European patent no. EP 1530465 to 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 in 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 2010 published on March 25, 2011.

Major events since the end of the period

Veregen® partnership for Canada

In April 2011, MediGene signed a partnership agreement with Triton Pharma for the commercialization of Veregen® in Canada.

Opportunities and outlook

Financial forecast 2011

Based on its present product portfolio, MediGene expects a positive EBITDA result of € 10 to 16 million for fiscal year 2011. This result includes non-recurring special effects in the form of milestone payments totaling € 20 to 25 million for Eligard®, which will also contribute to the revenue guidance (from continued and discontinued operations) of € 32 to 38 million.

Eligard®

Starting March 1, 2011, MediGene receives a 2% participation in European net sales of Eligard® generated by Astellas. The transfer of the rights for non-EU countries is expected to be completed by end of 2011 or early in 2012, and will entail a € 5 million milestone payment.

Veregen®

MediGene is planning to submit further applications for market approval of Veregen® in additional European countries in 2011. The German market approval already granted will serve as a reference within the scope of the mutual recognition procedure. MediGene also aims at the conclusion of further marketing partnership agreements in and outside Europe, and has already signed several agreements early in 2011. MediGene expects continuing growth in Veregen® sales in 2011.

EndoTAG®-1

MediGene intends to enter into one or more partnerships for EndoTAG®-1 with pharmaceutical or biotech companies, and envisages the partner or partners taking over further development and future commercialization of the drug candidate.

RhuDex®

MediGene is preparing the resumption of clinical development of RhuDex®, with the objective of initiating a phase I clinical in 2011.

AAVLP technology

Additional preclinical trials will be conducted in 2011 in MediGene's proprietary AAVLP vaccine technology.

Consolidated income statement

of MediGene AG for the periods from January 1 to March 31, 2011 and 2010

In € thousand	Q1 2011 unaudited	Q1 2010 unaudited
Product sales	380	729
Other operating income	268	13
Total revenue	648	742
Cost of sales	-80	-63
Gross profit	568	679
Selling expenses	-451	-494
General and administrative expenses	-1,193	-1,470
Research and development expenses	-2,029	-4,080
Operating result	-3,105	-5,365
Interest income	10	5
Foreign exchange gains/losses	150	-74
Share of result of associates	-521	-599
Result from continued operations before tax	-3,466	-6,033
Taxes	361	0
Result from continued operations	-3,105	-6,033
Product sales from discontinued operations	27,296	11,277
Cost of sales from discontinued operations	-5,144	-8,450
Selling expenses from discontinued operations	-52	-102
Gains from derivative financial instruments from discontinued operations	226	973
Taxes from discontinued operations	-2,236	0
Result from discontinued operations	20,090	3,698
Net result for the period	16,985	-2,335
Earnings per share:		
Basic and diluted result from continued operations in €	-0.08	-0.17
Basic and diluted result from discontinued operations in €	0.54	0.10
Weighted average number of shares outstanding (basic)	37,082,758	35,640,507
Weighted average number of shares outstanding (diluted)	37,110,319	35,640,507

Consolidated statement of comprehensive income

of MediGene AG for the periods from January 1 to March 31, 2011 and 2010

In € thousand	Q1 2011 unaudited	Q1 2010 unaudited
Net result for the period	16,985	-2,335
Exchange differences on translation of foreign operations[1)]	-507	-33
Unrealized gains on hedge of a net investment[1)]	0	3
Other comprehensive income for the period, net of tax	-507	-30
Total comprehensive income for the period, net of tax	16,478	-2,365

[1)] No income tax effects were incurred.

Consolidated balance sheet

of MediGene AG as of March 31, 2011 and December 31, 2010

In € thousand		March 31, 2011 unaudited	Dec. 31, 2010 audited
Assets			
A. Non-current assets			
I.	Property, plant, and equipment	983	960
II.	Intangible assets	31,774	31,886
III.	Goodwill	2,212	2,212
IV.	Financial assets	154	153
V.	Investment in associates	4,335	5,059
VI.	Other assets	3	4
Total non-current assets		39,461	40,274
B. Current assets			
I.	Inventories	2,169	1,693
II.	Trade accounts receivable	177	4,516
III.	Cash and cash equivalents	18,801	4,770
IV.	Other current assets	5,781	6,948
Total current assets		26,928	17,927
Total assets		66,389	58,201
Liabilities and shareholders' equity			
A. Shareholders' equity			
I.	Subscribed capital Number of shares issued and outstanding: December 31, 2010: 37,082,758 March 31, 2011: 37,082,758	37,082	37,082
II.	Additional paid-in capital	343,735	343,704
III.	Accumulated deficit	-316,113	-333,098
IV.	Other reserves	-7,397	-6,890
Total shareholders' equity		57,307	40,798
B. Non-current liabilities			
I.	Financial liabilities	2	2
II.	Pension obligations	245	245
Total non-current liabilities		247	247
C. Current liabilities			
I.	Trade accounts payable	1,054	2,354
II.	Derivative financial instruments	0	226
III.	Other current assets	5,759	9,488
IV.	Deferred income	147	5,088
V.	Tax liabilities	1,875	0
Total current liabilities		8,835	17,156
Total liabilities		9,082	17,403
Total liabilities and shareholders' equity		66,389	58,201

Consolidated statement of cash flows

of MediGene AG for the periods from January 1 to March 31, 2011 and 2010

In € thousand	Q1 2011 unaudited	Q1 2010 unaudited
Cash flow from operating activities		
Net result for the period (before taxes)	18,860	-2,335
Adjustments to reconcile net result before tax to net cash from/used by operating activities:		
Stock-based compensation	31	53
Depreciation and amortization	216	204
Loss on disposal of property, plant, and equipment	0	35
Interest income	-10	-5
Changes in:		
Inventories	-475	-805
Other assets and prepaid expenses	5,506	-1,225
Trade accounts payable	-1,300	956
Accruals	0	-201
Other liabilities and deferred income	-8,896	-3,236
Share of net result of associates	521	599
Subtotal	14,453	-5,960
Interest received	10	5
Net cash from/used by operationg activities	14,463	-5,955
Cash flow from investing activities		
Purchase of property, plant, and equipment	-128	-65
Net cash used by investing activities	-128	-65
Cash flow from financing activities		
Proceeds from capital increase	0	2,000
Expenses on capital increase	0	-8
Net cash from/used by financing activities	0	1,992
Increase/Decrease in cash and cash equivalents	14,335	-4,028
Cash and cash equivalents at beginning of the period	4,770	12,251
Foreign exchange differences	-304	-42
Cash and cash equivalents at the end of the period	18,801	8,181

Consolidated statement of changes in shareholders' equity

of MediGene AG for the periods from January 1 to March 31, 2011 and 2010

In € thousand	Subscribed capital	Capital reserve	Accumulated deficit	Currency translantion	Hedge of a net investment	Financial assets	Total shareholders' equity
Balance Jan. 1, 2010, audited	35,557	340,487	-315,229	-7,913	-1,029	0	51,873
Net loss for the period			-2,335				-2,335
Unrealized gains on hedge of a net investment					3		3
Currency translation adjustments				-33			-33
Comprehensive income							-2,365
Shares issued	575	1,425					2,000
Expenses on shares issued		-8					-8
Share-based compensation		53					53
Balance March 31, 2010, unaudited	36,132	341,957	-317,564	-7,946	-1,026	0	51,553
Balance Jan. 1, 2011, audited	37,082	343,704	-333,098	-6,891	0	1	40,798
Net result for the period			16,985				16,985
Currency translation adjustments				-507			-507
Comprehensive income							16,478
Share-based compensation		31					31
Balance March 31, 2011, unaudited	37,082	343,735	-316,113	-7,398	0	1	57,307

Notes to the Group interim consolidated financial statements

of MediGene AG, Planegg/Martinsried, Germany, for the period from January 1 to March 31, 2011

A. Description of business activity, information about the company

MediGene AG, Planegg/Martinsried, Germany (hereinafter referred to as “MediGene“), is a biopharmaceutical company that specializes in the research and development of innovative drugs to treat cancer and autoimmune diseases.

The Group’s main activities are described in Note I) “Segment reporting“.

MediGene AG has been a publicly quoted company since June 2000 (German Stock Exchange: Regulated Market; Prime Standard; SIN 502090; code MDG).

B. Accounting and valuation principles

Basis principles for the preparation of interim financial statements

As a capital market oriented parent company within the meaning of Article 4 of Regulation (EC) No. 1606/2002, MediGene AG applies the International Financial Reporting Standards (IFRS). 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 ended on March 31, 2011, and 2010.

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 2010 and 2009

These interim consolidated financial statements were approved for publication by MediGene's Executive Board on May 12, 2011.

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 2010.

Regarding changes relevant to accounting, MediGene refers to the detailed presentation in the Annual Report 2010, page 48 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 subsidiaries, i.e. 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 of 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 28.7% as at March 31, 2011. Since mid-April 2010, MediGene, Inc. has held a 40% stake in the company Catherex, Inc., Philadelphia, Pennsylvania, USA.

Apart from that, MediGene held no other shares in affiliated companies, associates, or joint ventures as at March 31, 2011. 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 dependancy of business operations

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

D. Discontinued operations

In accordance with IFRS 5, discontinued operations discloses details of discontinued operations which either have been classified as available for sale, or have already been sold. This segment comprises all revenue and expenses relating to Eligard® until the transfer of the European Eligard® rights to Astellas which took place on March 1, 2011. The previous year's figures were adjusted, in accordance with IFRS 5.33.

In the first quarter of 2011, MediGene posted milestone payments totaling € 20 million for the sale of the Eligard® rights. The final payment of € 5 million is expected upon transfer of the rights for countries outside the EU, probably end of 2011 or early in 2012. Since March 2011, MediGene has been entitled to a 2% participation in net sales generated with Eligard®. Since that date, this revenue is reported as other operating income. Since March 1, 2011, MediGene no longer bears any costs or performance obligations that arise in connection with this drug.

Key figures from continued and discontinued operations

In € thousand	Q1 2011 continued	Q1 2011 discontinued	Q1 2011 total	Q1 2010 continued	Q1 2010 discontinued	Q1 2010 total
Product sales	380	27,280	27,660	729	11,277	12,006
Other operating income	268	16	284	13	0	13
Total revenue	648	27,296	27,944	742	11,277	12,019
Cost of sales	-80	-5,144	-5,224	-63	-8,450	-8,513
Gross profit	568	22,152	22,720	679	2,827	3,506
Selling expenses	-451	-52	-503	-494	-102	-596
General and administrative expenses	-1,193	0	-1,193	-1,470	0	-1,470
Research and development expenses	-2,029	0	-2,029	-4,080	0	-4,080
Operating result	-3,105	22,100	18,995	-5,365	2,725	-2,640
Interest income	10	0	10	5	0	5
Foreign exchange gains/losses	150	0	150	-74	0	-74
Gains from derivative financial instruments	0	226	226	0	973	973
Share of result of associates	-521	0	-521	-599	0	-599
Result from continued operations before tax	-3,466	22,326	18,860	-6,033	3,698	-2,335
Taxes	361	-2,236	-1,875	0	0	0
Result from continued operations	-3,105			-6,033		
Result from discontinued operations		20,090			3,698	
Net result for the period			16,985			-2,335

Product sales from discontinued operations comprise product sales (Q1 2011: € 5,380 thousand; Q1 2010: € 6,583 thousand), license payments (Q1 2011: € 1,900 thousand; Q1 2010: € 4,694 thousand), and milestone payments (Q1 2011: € 20,000 thousand; Q1 2010: € 0) for Eligard® in Europe.

Cash from operating activities from discontinued activities totaled € 17,186 thousand in the first quarter of 2011 (Q1 2010: € 1,187 thousand).

E. Notes on the consolidated income statement

Embedded derivative

The contract for the commercialization of Eligard® concluded with Astellas included an embedded derivative since it was processed in US dollars and not in the functional currency of one of the two contracting parties. Foreign currency gains (losses) from this derivative resulted from the translation of US dollar into euro, and were posted affecting net income. The valuation of the embedded derivative took place on the basis of existing/expected purchase orders from Astellas. Since the transfer of the Eligard® rights to Astellas on March 1, 2011, this derivative no longer exists.

Associates

The income statement reflects the Group's share of the associate's results (Immunocore Ltd, and Catherex, Inc.). The Group recognizes its share of any changes shown directly in the shareholders' equity of the associates, and discloses this, if applicable, in the statement of changes in shareholders' equity. Unrealized gains and losses from transactions between the Group and the associates are eliminated corresponding to the share in the associate held.

Taxes

In the reporting period, a tax liability of € 1,875 thousand was generated. It includes tax income from continued operations of € 361 thousand, and tax expenditure from discontinued operations of € 2,236 thousand. Both amounts were posted affecting net income in the consolidated income statement. The calculation is based on a composite tax rate of 26.33% which includes the corporate tax rate (15%), solidarity surcharge (5.5%) on the corporate tax, and the trade tax rate (10.5%). In last year's reporting period, neither tax expenditure nor tax income was posted. The accumulated losses could be partially utilized, and the actual tax rate was thus reduced to approx. 10%.

F. Notes on the balance sheet

Subscribed capital

Compared to December 31, 2010, subscribed capital of € 37,082 thousand remained unchanged as at March 31, 2011.

The subscribed capital is divided into 37,082,758 registered no-par-value common shares, approx. 93% of which were outstanding as at March 31, 2011.

Intangible assets

The decrease of reported intangible assets compared to December 31, 2010, is due solely to planned amortization of patents and product licenses.

Current liabilities

Compared to December 31, 2010, current liabilities decreased from € 17,156 thousand by € 8,321 thousand to € 8,835 thousand as at March 31, 2011. This decrease is mainly due to the realization of the first Astellas milestone payment as revenue, and the reduction of trade accounts payable and other liabilities.

G. Notes on the cash flows

In the first quarter of 2011, the average monthly net cash flow rate from operating activities increased from € -2.0 million to € 4.8 million compared to last year's reporting period.

H. Earnings per share

The Group reports diluted and basic earnings per share from continued and discontinued operations for the period. Due to the small number of potentially exercisable options, there is no difference between the diluted and basic earnings per share.

I. Segment reporting

Business units

The Group is organized into two main business units: Marketed Products and Drug Candidates. The segments are made up as follows:

Segment reporting by business units

In € thousand	Marketed Products	Drug Candidates	Total segments	Recon-ciliation[1]	Adjustments discontinued operations	Total
Q1 2011						
Revenue with external customers	27,660	0	27,660	0	-27,280	380
Other income	246	0	246	38	-16	268
Inter-segment sales[2]	0	0	0	0	0	0
Total revenue	27,906	0	27,906	38	-27,296	648
Segment operating result[3]	22,002	-2,994	19,008	-13	-22,100	-3,105
Depreciation and amortization	0	-184	-184	-32		-216
Share of result of associates	0	0	0	-521		-521
Assets						
Investment in associates	0	0	0	4,335		4,335
Segment investments[4]	0	36	36	92		128
Segment assets[5]	2,346	33,986	36,332	30,057		66,389
Segment liabilities[6]	147	0	147	8,935		9,082
Q1 2010						
Revenue with external customers	12,006	0	12,006	0	-11,277	729
Other income	0	13	13	0	0	13
Inter-segment sales[2]	0	0	0	0	0	0
Total revenue	12,006	13	12,019	0	-11,277	742
Segment operating result[3]	2,727	-5,367	-2,640	0	-2,725	-5,365
Depreciation and amortization	0	-175	-175	-29		-204
Share of result of associates	0	0	0	-599		-599
Assets						
Investment in associates	0	0	0	1,365		1,365
Segment investments[4]	0	59	59	6		65
Segment assets[5]	4,163	41,674	45,837	17,085		62,922
Segment liabilities[6]	865	0	865	10,504		11.369

1) »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 of its own.
2) Inter-segment sales are eliminated for consolidation purposes.
3) Segment operating result does not include any interest income (Q1 2011: € 10 thousand; Q1 2010: € 5 thousand), any interest expense (Q1 2011: 0 €; Q1 2010: 0 €), any foreign exchange gains or losses (Q1 2011: € 150 thousand; Q1 2010: € -74 thousand), any share of loss of associates (Q1 2011: € 521 thousand; Q1 2010: € 599 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 2011: € 5,475 thousand; Q1 2010: € 2.520 thousand), cash and cash equivalents (Q1 2011: € 18,801 thousand; Q1 2010: € 8,181 thousand), and other current assets (Q1 2011: € 5,.781 thousand; Q1 2010: € 6,384 thousand).
6) Segment liabilities under »Reconciliation« include non-current liabilities (Q1 2011: € 247 thousand; Q1 2010: € 244 thousand), trade accounts payable and other liabilities (Q1 2011: € 6,813 thousand; Q1 2010: € 9,992 thousand), accruals (Q1 2011: € 0; Q1 2010: € 268 thousand), and tax liabilities (Q1 2011: € 1,875 thousand, Q1 2010: € 0).

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 basis of 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 autoimmune diseases, e.g. rheumatoid arthritis
- 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 Board and Supervisory Board

„Directors' Holdings" and note on subscription rights

Member	Shares 3M 2011	Shares Y 2010	Options 3M 2011	Options Y 2010
Prof. Dr. Ernst-Ludwig Winnacker Chairmann of Supervisory Board, Co-founder	274,476	274,476	0	0
Prof. Dr. Norbert Riedel Vice Chairmann of Supervisory Board	3,300	3,300	0	0
Dr. Pol Bamelis Supervisory Board member	400	400	0	0
Dr. Mathias Albert Boehringer Supervisory Board member	0	0	0	0
Dr. Thomas Werner Supervisory Board member	0	0	0	0
Total Supervisory Board	278,176	278,176	0	0
Dr. Frank Mathias Chief Executive Officer	2,000	2,000	92,500	92,500
Arnd Christ Chief Financial Officer	0	0	14,278	14,278
Total Executive Board	2,000	2,000	106,778	106,778

(Status as at March 31, 2011 and December 31, 2010)

Financial calendar

August 2, 2011

6-Months Report 2011
Analysts teleconference

August 4, 2011

Annual General Meeting 2011
Munich, Germany

November 11, 2011

9-Months Report 2011
Analysts teleconference

Trademarks

Eligard®
is a trademark of Tolmar Therapeutics, Inc.

EndoTAG®
is a trademark of MediGene AG

MediGene®
is a trademark of MediGene AG

Polyphenon E®
is a trademark of Mitsui Norin Co. Ltd.

RhuDex®
is a trademark of MediGene AG

Veregen®
is a trademark of MediGene AG

These trademarks may be held or licensed for specific countries.

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Disclaimer

This 3-months report contains forward-looking statements that are based on certain assumptions and expectations made by the management of MediGene AG at the time of its publication. These forward-looking statements are therefore subject to unpredictable risks and uncertainties, so there is no guarantee that these assumptions and expectations will turn out to be accurate. Many of those risks and uncertainties are determined by factors that are beyond the control of MediGene AG and cannot be gauged with any certainty at this point in time. This includes future market conditions and economic developments, the behavior of other market participants, the achievement of targeted synergy effects as well as legal and political decisions. MediGene AG cannot preclude that actual results may differ substantially from those expectations expressed in or implied by the forward-looking statements. MediGene AG does not intend or assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of this annual report.

The English version of the 3-months report is a translation of the original German version; in the event of variances, the German version shall take precedence over the English translation.