MediGene

9-MONTHS REPORT 2010

2009 2010 2011–2015

MediGene's innovative 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%	

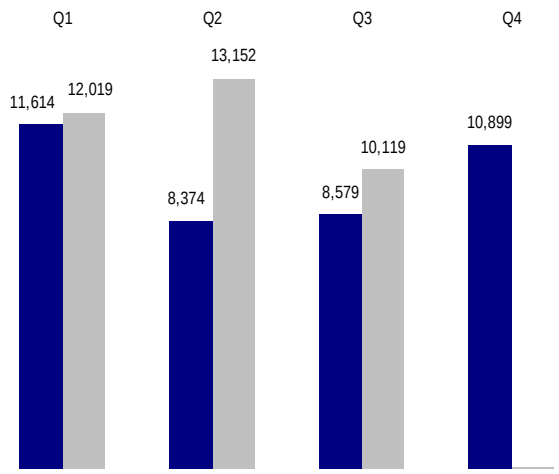
[1] Licensed from Tolmar Therapeutics, Inc. (formerly QLT USA, Inc.), marketing partnership with Astellas Pharma Europe Ltd.
[2] Marketing partnership with Nycomed US, Inc. for the US market, various marketing partnerships for Europe and Asia.
[3] According to Journal of Clinical Oncology, Vol. 25, 2010

MediGene's key figures

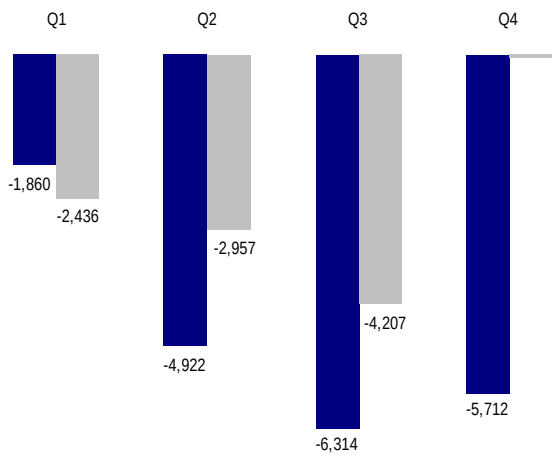
In € thousand	Q3 2010	Q3 2009	Change	9M 2010	9M 2009	Change
Income statement						
Product sales	10,071	8,403	20%	35,199	26,988	30%
Other operating income	48	176	-73%	91	1,580	-94%
Total revenue	10,119	8,579	18%	35,290	28,568	24%
Cost of sales	-8,507	-7,321	16%	-27,304	-21,850	25%
Gross profit	1,612	1,258	28%	7,986	6,718	19%
Selling, general, and administrative expenses	-2,363	-2,971	-20%	-7,041	-6,876	2%
Research and development expenses	-3,665	-4,809	-24%	-11,169	-13,560	-18%
EBITDA	-4,207	-6,314	-33%	-9,600	-13,096	-27%
Operating result	-4,416	-6,522	-32%	-10,244	-13,718	-25%
Result before income tax	-4,908	-7,522	-35%	-8,202	-15,838	-48%
Net loss for the period	-4,908	-7,550	-35%	-8,202	-15,866	-48%
Net loss per share in €	-0.13	-0.22	-40%	-0.23	-0.47	-53%
Weighted average number of shares outstanding	37,082,758	34,052,145	9%	36,389,134	34,039,619	7%
Personnel expenses	-3,112	-3,764	-17%	-7,919	-9,786	-19%
Cash flow						
Cash flow from operating activities	2,488	-4,257	-158%	-5,683	-15,602	-64%
Cash flow from investing activities	-29	522	-106%	-266	243	>-200%
Cash flow from financing activities	-8	0	-%	4,469	-93	>-200%
Balance sheet data as at September 30						
Cash and cash equivalents	10,782	9,682				
Balance sheet total	66,902	64,716				
Current liabilities	16,875	13,014				
Non-current liabilities	235	236				
Shareholders' equity	49,792	51,466				
Equity ratio in %	74	80				
Employees as at September 30	104	118				
MediGene share as at September 30						
Total number of shares outstanding	37,082,758	34,052,145				
Share price (Closing price, XETRA)	2.52	5.20				
Dividend in €	-	-				

MediGene's performance 2009 / 2010

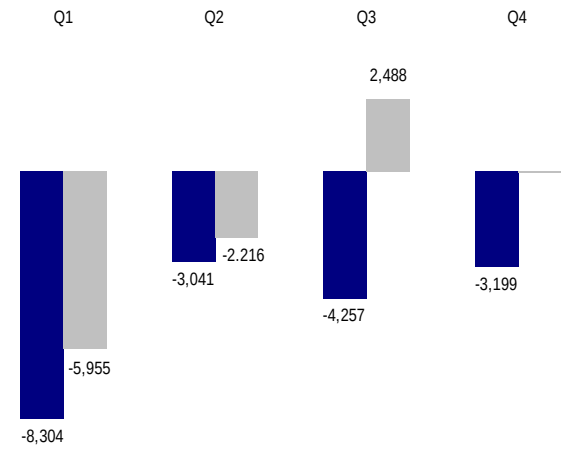
Total revenue
in € thousand



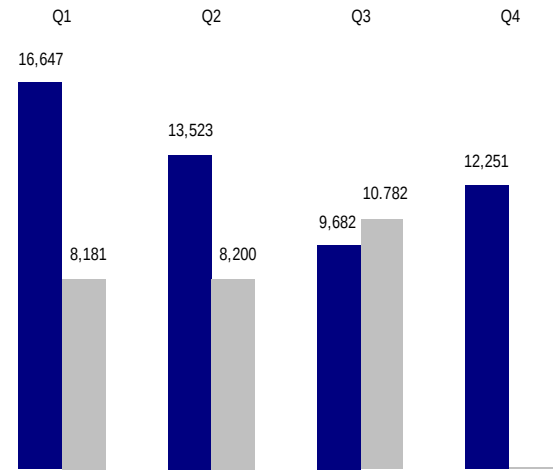
EBITDA
in € thousand



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 €	9M 2010	9M 2009
9-months high	3.92	5.31
9-months low	2.47	3.29
Price at beginning of the year	3.64	4.28
Closing price	2.52	5.20
Average price since beginning of the year	3.08	4.34
Weighted average number of shares outstanding	36,389,134	34,039,619
Average market capitalization (million €)	112	148
Average daily trading volume in shares	242.785	118,210
Total number of shares outstanding (September 30)	37,082,758	34,052,145
Cash flow from operating activities/share*	-0.15	-0.46
Shareholders' equity/share*	1.34	1.51
Free float** (%)	93	81

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

Group management's discussion and analysis Q3 2010 / 9M 2010

FINANCIAL DEVELOPMENT IN THE FIRST NINE MONTHS

- Total revenue increased by 24% to € 35.3 million (9M 2009: € 28.6 million)
- EBITDA loss improved by 27% to € -9.6 million (9M 2009: € -13.1 million)
- Net loss reduced by 48% to € -8.2 million (9M 2009: € -15.9 million)
- Cash and cash equivalents at closing date September 30, 2010: € 10.8 million (December 31, 2009: € 12.3 million)

MAJOR EVENTS SINCE THE BEGINNING OF THE YEAR

- Arnd Christ appointed Chief Financial Officer of MediGene AG
- Veregen® launched by Abbott in Germany and Austria; Nycomed's commercialization effort in the USA extended
- Additional Veregen® marketing partnerships concluded in Israel, Greece & Cyprus, China, and South Korea
- Phase II clinical trial of EndoTAG™-1 for the treatment of triple negative breast cancer successfully completed
- European rights to Eligard® sold to Astellas for € 25 million in near-term cash payments plus ongoing royalties
- Restructuring and rightsizing of MediGene AG resources following achievement of important EndoTAG™-1 and Eligard® milestones

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 is successfully marketed by MediGene's partner Astellas Pharma Europe Ltd. (hereinafter referred to as "Astellas Pharma"), Staines, United Kingdom in most European countries. As in every quarter since market launch, the revenue generated with Eligard® significantly increased in the third quarter of 2010 compared to last year's reporting period. In July 2010, MediGene closed a contract with Astellas 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 since 2009 by MediGene's partner Nycomed US, Inc. (hereinafter referred to as "Nycomed"), Melville, New York, USA.. In Europe marketing partnership agreements have been concluded with three companies so far, each covering defined geographical markets: with Juste S.A.Q.F., Madrid, Spain for Spain and Portugal, with Abbott Arzneimittel GmbH, Hannover, for Germany, Austria, and Switzerland, and with Meditrina Pharmaceuticals, Athens, Greece, for Greece and Cyprus. Moreover, several marketing partnerships have been concluded in Asia: an agreement was closed with Teva Pharmaceutical Industries Ltd., Petach Tikva, Israel, for Israel, with GC-RISE Pharmaceutical Co., Ltd., China, for China, and with JS Bio Pharm Co., Ltd., South Korea, for 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. Marketing authorizations for Germany and Austria have been granted already. The approval for the German market shall serve as a reference for approval procedures in other European countries ("mutual recognition procedure"). Following approval in the reference states, MediGene applied for variations regarding manufacture and specification of the active pharmaceutical ingredient (API). These variations permit lower cost of API production. Upon conclusion of these variations, the approval procedure can be initiated in other countries. In March 2010, Germany was the first market where the drug was launched.

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 phase II clinical 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 when 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. In addition, positive results regarding other clinical parameters such as progression-free survival and safety were also reported.

In triple negative breast cancer indication a phase II clinical trial of the drug candidate EndoTAG™-1 for the treatment of this highly aggressive type of cancer, for which no established therapy currently exists, was also successfully completed. 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® is an active ingredient for the treatment of several autoimmune diseases such as rheumatoid arthritis, in which the activation of T cells plays a key role. RhuDex® is an orally administered CD80 antagonist which specifically blocks the activation of those T cells that trigger the inflammatory autoimmune response. Clinical development of RhuDex® has been put on hold in order to prepare a modified development scheme. The appropriate preclinical studies were initiated early in 2010, to define precisely the range of therapeutic dosages, thus optimizing the clinical development program.

Technology platforms

MediGene also pursues the development of its proprietary and innovative platform technologies for drug development, such as the EndoTAG™ technology, which might form 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. Such a spin-off is also considered for the AAVLP technology, a platform technology for the development of prophylactic and therapeutic vaccines.

MediGene further holds a stake in the British company Immunocore, founded for the spin-off of the mTCR technology. Immunocore has completed preclinical development of the first drug candidate based on this technology and initiated the first clinical trial.

ASSETS POSITION

Cash position € 10.8 million; equity ratio 74%; liquidity cover ratio 16%

Development of the assets and capital structure

In € thousand	Sep. 30, 2010 unaudited	Dec. 31, 2009 audited	Change
Assets			
Fixed and intangible assets	33,002	31,566	5%
Goodwill	11,438	11,272	1%
Financial assets	155	155	0%
Investment in an associate	2,430	1,961	24%
Cash and cash equivalents	10,782	12,251	-12%
Inventories and receivables	2,515	2,204	14%
Other current assets	6,580	6,314	4%
Total	66,902	65,723	2%
Liabilities and shareholders' equity			
Shareholders' equity	49,792	51,873	-4%
Non-current liabilities	235	244	-4%
Current liabilities	16,875	13,606	24%
Total	66,902	65,723	2%
Liquidity cover ratio in %	16	19	
Equity ratio in %	74	79	

FINANCIAL POSITION

Cash used by/from operating activities

Cash used by operating activities decreased by 64% to € -5,683 thousand in the first nine months of 2010 (9M 2009: € -15,602 thousand). In the third quarter of 2010, cash inflow of € 2,488 thousand was posted (Q3 2009: € -4,257 thousand). The difference between the net loss for the period and the cash used in the third quarter of 2010 is mainly a consequence of a € 5 million payment received from Astellas, so far recognized as deferred income.

Average monthly net cash burn rate from operating activities

In the first nine months of 2010, the average monthly net cash burn rate from operating activities was € -0.6 million (9M 2009: € -1.7 million), and in the third quarter 2010 the average monthly cash inflow was € 0.8 million (Q3 2009: € -1.4 million).

Cash used by/from investing activities

During the first nine months of 2010, cash used by investing activities amounted to € -266 thousand (9M 2009: € 243 thousand), and € -29 thousand in the third quarter 2010 (Q3 2009: € 522 thousand).

Change in cash and cash equivalents

In € thousand	Q3 2010 unaudited	Q3 2009 unaudited	Change	9M 2010 unaudited	9M 2009 unaudited	Change
Net cash						
from/used by operating activities	2,488	-4,257	-158%	-5,683	-15,602	-64%
from/used by investing activities	-29	522	-106%	-266	243	>-200%
from/ used by financing activities	-8	0	-%	4,469	-93	>-200%
In-/Decrease in cash and cash equivalents	2,451	-3,735	-166%	-1,480	-15,452	-90%
Cash and cash equivalents at the beginning of the period	8,200	13,523	-39%	12,251	25,101	-51%
Foreign exchange differences	131	-106	>-200%	11	33	-67%
Cash and cash equivalents at the end of the period	10,782	9,682	11%	10,782	9,682	11%

As at closing date September 30, 2010, cash and cash equivalents totaled € 10,782 thousand.

Cash from SEDA program

In the third quarter of 2010, 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 that secures additional equity totaling up to € 25 million at call. 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. Since conclusion of the agreement, a total of approx. € 10.6 million has been called.

EARNINGS POSITION

Total revenue

Total revenue amounted to € 35,290 thousand in the first nine months of 2010 (9M 2009: € 28,568 thousand), and to € 10,119 thousand in the third quarter 2010 (Q3 2009: € 8,579 thousand). It was generated mainly from European product sales and royalties for the drug Eligard®, as well as proceeds from Veregen®. In the first quarter, the revenues from Veregen® were primarily made up of milestone payments, whereas in the second and third quarters they mainly consisted of product sales and royalties.

Consolidated income statement (abbreviated)

In € thousand	Q3 2010 unaudited	Q3 2009 unaudited	Change	9M 2010 unaudited	9M 2009 unaudited	Change
Total revenue	10,119	8,579	18%	35,290	28,568	24%
thereof Eligard®	9,750	7,475	30%	33,656	25,915	30%
thereof Veregen®	322	921	-65%	1,544	1,052	47%
Cost of sales	-8,507	-7,321	16%	-27,304	-21,850	25%
Gross profit	1,612	1,258	28%	7,986	6,718	19%
Selling, general, and administrative expenses	-2,363	-2,971	-20%	-7,041	-6,876	2%
Research and development expenses	-3,665	-4,809	-24%	-11,169	-13,560	-18%
Operating result	-4,416	-6,522	-32%	-10,224	-13,718	-25%
Result before income tax	-4,908	-7,522	-35%	-8,202	-15,838	-48%
Net loss for the period	-4,908	-7,550	-35%	-8,202	-15,866	-48%

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 € 27,304 thousand in the first nine months of 2010 (9M 2009: € 21,850 thousand), and to € 8,507 thousand in the third quarter 2010 (Q3 2009: € 7,321 thousand). It is allocated mainly to the purchase of the products and to royalties paid on Eligard® sales revenue.

Gross profit

In the first nine months of 2010, gross profit increased to € 7,986 thousand € (9M 2009: € 6,718 thousand), and amounted to € 1,612 thousand in the third quarter 2010 (Q3 2009: € 1,258 thousand). The gross profit amount may vary significantly, as it is affected, among other things, by milestone payments which are not set off by any cost of sales.

Selling, general, and administrative expenses

Compared to last year's reporting period, selling, general, and administrative expenses increased by 2% to € 7,041 thousand in the first nine months of 2010 (9M 2009: € 6,876 thousand), but decreased by 20% to € 2,363 thousand in the third quarter 2010 (Q3 2009: € 2,971 thousand). The increased expenses in the first six months include mainly consultancy fees, expenses for patents and marketing, and nonrecurring expenses in connection with the change on the Executive Board.

Research and development expenses

R&D expenses decreased by 18% to € 11,169 thousand in the first nine months of 2010 (9M 2009: € 13,560 thousand), and by 24% to € 3,665 thousand in the third quarter of 2010 (Q3 2009: € 4,809 thousand). This decrease is primarily due to the successful finalization of several projects within the scope of EndoTAG™-1 development. In addition, expenses for preclinical development were reduced.

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 an EBITDA basis decreased by 27% to € 9,600 thousand in the first nine months of 2010 (9M 2009: € 13,096 thousand), and by 33% to € 4,207 thousand in the third quarter 2010 (Q3 2009: € 6,314 thousand).

Depreciation

Depreciation decreased to € 624 thousand in the first nine months of 2010 (9M 2009: € 622 thousand), and to € 209 thousand in the third quarter 2010 (Q3 2009: € 208 thousand).

Financial result

As a result of gains from a derivative financial instrument and of foreign currency gains, the financial result improved to € 1,626 thousand in the first nine months of 2010 (9M 2009: € -972 thousand) and, due to losses from a derivative financial instrument, it decreased to € -774 thousand in the third quarter 2010 (Q3 2009: € -550 thousand). The contract for the commercialization of Eligard® 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 or losses result from the translation of US dollars and British pounds into euros.

Financial result

In € thousand	Q3 2010 unaudited	Q3 2009 unaudited	Change	9M 2010 unaudited	9M 2009 unaudited	Change
Interest income	9	11	-18%	17	122	-86%
Interest expense	0	0	-%	-1	-5	-80%
Subtotal	9	11	-18%	16	117	-86%
Foreign currency gains/losses	697	-27	>-200%	711	-794	-190%
Gains/Losses from derivative financial instruments	-1,480	-825	79%	899	-586	>-200%
Income from financial assets	0	291	-%	0	291	-%
Total	-774	-550	41%	1,626	-972	>-200%

Share of result of an associate

The gain from an associate totaled € 396 thousand in the first nine months of 2010 (9M 2009: € -1,148 thousand), and € 282 thousand in the third quarter of 2010 (Q3 2009: € -450 thousand). It is made up of an increase in pro rata shareholder's equity of € 1,966 thousand in the course of the issue of new shares, and from the share of loss of Immunocore Ltd. totaling € 1,570 thousand.

9-months result

In the first nine months of 2010, the loss for the period decreased by 48% to € 8,202 thousand (9M 2009: € 15,866 thousand), and to € 4,908 thousand in the third quarter 2010 (Q3 2009: € 7,550 thousand). This decrease is primarily due to increased revenue, reduced R&D expenses, gains from a derivative financial instrument, foreign currency gains, and to a gain from an associate.

Net loss per share

In the first nine months of 2010, the loss per share decreased to € 0.23 (weighted average number of shares: 36,389,134), compared to € 0.47 loss per share in last year's reporting period (9M 2009: weighted average number of shares: 34,039,619).

HUMAN RESOURCES

Corporate headcount decreased by 12% to 104 during the first nine months of 2010 compared with last year's reporting period (9M 2009: 118). Personnel expenses decreased by 19% to € 7,919 thousand (9M 2009: € 9,786 thousand) in the reporting period.

Within the scope of the reorganization measures taken at the end of September, corporate headcount was further reduced. As a result, corporate headcount of 55 is expected for the beginning of 2011. In the course of this reorganization, a € 1 million accrual for severance payments was incurred.

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 September 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 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. Considering the results of the investigation so far, however, the Executive Board considers the likelihood 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 2009 published on March 26, 2010.

FORECAST

Forecast 2010

MediGene hereby updates its previous financial and operational forecasts for the current fiscal year.

Financial forecast 2010

In 2010 MediGene expects revenue totaling € 47 to 49 million, which represents a slight increase from the previous revenue forecast (previous forecast: transfer of Eligard® rights in 2010: € 55 to 65 million; transfer of rights in 2011: € 44 to 48 million). MediGene and Astellas have agreed that the transfer of the Eligard® rights for the EU countries will take place on March 1, 2011. Upon transfer, the second tranche of EUR 15 million will become due for payment, and will consequently be recognized affecting net income in the first quarter of 2011.

The loss on an EBITDA basis in 2010 is expected to be in the range of € -12 to -14 million.

MediGene now expects a lower net cash burn from operating activities than it had previously forecast. The forecast for net cash burn from activities in 2010 is now expected to be € 11 to 13 million (previous forecast: € 14 to 17 million). In 2011 MediGene expects a significant inflow of cash. Based on the current business plan, MediGene's corporate financing is therefore secured beyond the end of 2011.

EndoTAG™-1

In the partnering process, a number of potential partners are in the evaluation phase. MediGene remains committed to the process, but will hereafter give no further guidance on the timelines, structures or other details until a deal is signed.

Eligard®

MediGene anticipates a continued rise in the Eligard® market share in Europe and a subsequent increase in overall sales by Astellas in 2010. Even after the complete transfer of the Eligard® rights to Astellas during 2011, MediGene will benefit from this positive trend.

Veregen®

In February 2010, MediGene's US marketing partner Nycomed increased its sales force for the commercialization of Veregen® to more than 40 persons. The launches in Germany and Austria by Abbott represent the initial roll-out of the ointment in Europe. MediGene expects in-market sales for Veregen® to total € 6 million in 2010, representing significant growth over last year (2009: €: 1 million). Going forward, MediGene intends to conclude further partnership agreements to continue its global licensing strategy.

RhuDex®

The preclinical studies initiated early this year continue as planned, and results will be available in the first quarter of 2011. Upon full data analysis a decision will be made on the future development strategy.

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

In € thousand	Q3 2010 unaudited	Q3 2009 unaudited	9M 2010 unaudited	9M 2009 unaudited
1. Product sales	10,071	8,403	35,199	26,988
2. Other operating income	48	176	91	1,580
3. Total revenue	10,119	8,579	35,290	28,568
4. Cost of sales	-8,507	-7,321	-27,304	-21,850
5. Gross profit	1,612	1,258	7,986	6,718
6. Selling expenses	-576	-596	-1,798	-1,543
7. General and administrative expenses	-1,787	-2,375	-5,243	-5,333
8. Research and development expenses	-3,665	-4,809	-11,169	-13,560
9. Operating result	-4,416	-6,522	-10,224	-13,718
10. Interest income	9	11	17	122
11. Interest expense	0	0	-1	-5
12. Foreign exchange gains/losses	697	-27	711	-794
13. Gains/losses from derivative financial instruments	-1,480	-825	899	-586
14. Income from financial assets	0	291	0	291
15. Share of result of an associate	282	-450	396	-1,148
16. Result before income tax	-4,908	-7,522	-8,202	-15,838
17. Taxes	0	-28	0	-28
18. Net loss for the period	-4,908	-7,550	-8,202	-15,866
Net loss per share:				
Actual and fully diluted in €	0.13	-0.22	-0.23	-0.47
Weighted average number of shares outstanding	37,082,758	34,052,145	36,389,134	34,039,619

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

In € thousand	Q3 2010 unaudited	Q3 2009 unaudited	9M 2010 unaudited	9M 2009 unaudited
1. Net loss for the period	-4,908	-7,550	-8,202	-15,866
2. Exchange differences on translation of foreign operations*	-540	-1,492	1,141	1,541
3. Unrealized gains/losses on hedge of a net investment*	-470	-561	344	602
4. Other comprehensive income for the year, net of tax	-1,010	-2,053	1,485	2,143
5. Total comprehensive income for the period, net of tax	-5,918	-9,603	-6,717	-13,723

* No income tax effects were incurred.

Consolidated balance sheet

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

In € thousand	September 30, 2010 unaudited	December 31, 2009 audited
Assets		
A. Non-current assets		
I. Property, plant & equipment	1,005	1,063
II. Intangible assets	31,997	30,503
III. Goodwill	11,438	11,272
IV. Financial assets	152	152
V. Investment in an associate	2,430	1,961
VI. Other assets	3	3
Total non-current assets	47,025	44,954
B. Current assets		
I. Inventories	2,449	1,455
II. Trade accounts receivable	66	749
III. Cash and cash equivalents	10,782	12,251
IV. Other current assets	6,580	6,314
Total current assets	19,877	20,769
Total assets	66,902	65,723
Liabilities and shareholders' equity		
A. Shareholders' equity		
I. Subscribed capital Number of shares issued and outstanding: December 31, 2009: 35,557,493 September 30, 2010: 37,082,758	37,082	35,557
II. Additional paid-in capital	343,598	340,487
III. Accumulated deficit	-323,431	-315,229
IV. Other reserves	-7,457	-8,942
Total shareholders' equity	49,792	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	2,914	2,452
II. Derivative financial instruments	844	1,743
III. Other current liabilities	7,943	8,843
IV. Accruals	84	470
V. Deferred income	5,090	98
Total current liabilities	16,875	13,606
Total liabilities	17,110	13,850
Total liabilities and shareholders' equity	66,902	65,723

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

In € thousand	Q3 2010 unaudited	Q3 2009 unaudited	9M 2010 unaudited	9M 2009 unaudited
Cash flow from operating activities				
Net loss for the period (before taxes)	-4,908	-7,522	-8,202	-15,838
Adjustments to reconcile net loss before tax to net cash from/used by operating activities:				
Stock-based compensation	53	38	158	228
Unrealized exchange gain on foreign currency transaction	-832	0	-832	0
Depreciation	209	208	624	622
Gains/Losses on sales of property, plant & equipment	0	-5	273	-5
Gains on financial assets	0	-291	0	-291
Interest income	-10	-12	-17	-122
Interest expense	0	0	1	5
Changes in:				
Inventories	-178	-81	-994	755
Other assets and prepaid expenses	1,818	-697	417	248
Trade accounts payable	-329	-3,064	462	-7,627
Accruals	-83	-237	-386	0
Other liabilities and deferred income	7,020	6,970	3,193	5,185
Taxes	0	-28	0	-28
Share of net result of an associate	-282	450	-396	1,148
Subtotal:	2,478	-4,271	-5,699	-15,720
Interest received	10	13	17	122
Interest paid	0	1	-1	-4
Net cash from/used by operating activities	2,488	-4,257	-5,683	-15,602
Cash flow from investing activities				
Purchase of property, plant & equipment	-29	-172	-266	-451
Return of intangible assets	0	5	0	5
Disposal of financial assets	0	689	0	689
Net cash from/used by investing activities	-29	522	-266	243
Cash flow from financing activities				
Proceeds from capital increase	0	0	4,500	100
Expenses on capital increase	-8	0	-22	-45
Repayments of convertible bonds	0	0	-9	-148
Net cash from/used by financing activities	-8	0	4,469	-93
In-/Decrease in cash and cash equivalents	2,451	-3,735	-1,480	-15,452
Cash and cash equivalents at beginning of the period	8,200	13,523	12,251	25,101
Foreign exchange differences	131	-106	11	33
Cash and cash equivalents at end of the period	10,782	9,682	10,782	9,682

Consolidated statement of changes in shareholders' equity

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

	Shares	Subscribed capital	Capital reserves	Accumulated losses	Currency translation	Hedge of a net investment	Total shareholders' equity
		€ 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				-8,202			-8,202
Unrealized gains on hedge of an investment						344	344
Currency translation adjustments					1,141		1,141
Comprehensive income							-6,717
Shares issued	1,525,265	1,525	2,975				4,500
Expenses on shares issued			-22				-22
Stock-based compensation			158				158
Balance at September 30, 2010, unaudited	37,082,758	37,082	343,598	-323,431	-6,772	-685	49,792
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				-15,866			-15,866
Unrealized gains on hedge of an investment						602	602
Currency translation adjustments					1,541		1,541
Comprehensive income							-13,723
Shares issued	23,584	23	77				100
Expenses on shares issued			-45				-45
Stock-based compensation			228				228
Balance at September 30, 2009, unaudited	34,052,145	34,052	336,233	-309,133	-8,451	-1,235	51,466

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). Since September 20, 2010, the MediGene share is no longer listed on the TecDAX, a German Stock Exchange Index.

B) Accounting 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 ended on September 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, MediGene AG applies the International Financial Reporting Standards in their entirety.

These interim consolidated financial statements were approved for publication by MediGene's Executive Board on November 11, 2010.

Changes in accounting 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 figures 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, 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 September 30, 2010. At the same time, the pro rata shareholder's equity increased to € 2,430 thousand.

Apart from that, MediGene held no other shares in affiliated companies, associates, or joint ventures as at September 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 dependancy 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 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 existing/expected purchase orders from Astellas Pharma.

Associate

The income statement reflects the Group's share of the associate's profits, i.e. of Immunocore Ltd. 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 held.

Taxes

In the first nine months of 2010, the MediGene Group did not enter any tax expenditure or tax revenue. In last year's reporting period, the MediGene Group recognized a tax expenditure resulting from the revision of a so-called R&D tax credit from 2008. A tax rate of 30% is applied to MediGene Ltd. In the UK there is no limitation on the utilization of accumulated losses.

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 September 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 September 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 September 30, 2010 increased by € 3,269 thousand from € 13,606 thousand to € 16,875 thousand. This increase is mainly due to the posting of a € 5 million payment received from Astellas for the transfer of the Eligard® rights which was initially recognized as deferred income.

F) Notes on the cash flow statement

In the first nine months of 2010, the monthly net cash burn rate from operating activities decreased from € 1.7 million to € 0.6 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) Earnings 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 made up as follows:

Segment reporting by business units

In € thousand	Marketed Products	Drug Candidates	Reconciliation[1)]	Total
Q3 2010				
Revenue with external customers	10,071	0	0	10,071
Other income	1	47	0	48
Intersegment sales[2)]	0	0	0	0
Total revenue	10,072	47	0	10,119
Segment operating result[3)]	556	-4,972	0	-4,416
Depreciation	0	-183	-26	-209
Share of gain of an associate	0	0	282	282
Assets				
Investment in an associate	0	0	2,430	2,430
Segment investments[4)]	0	11	18	29
Segment assets	2,515	43,435	20,952	66,902
Segment liabilities	5,934	0	11,176	17,110
Q3 2009				
Revenue with external customers	8,370	33	0	8,403
Other income	27	148	1	176
Intersegment sales[2)]	0	0	0	0
Total revenue	8,397	181	1	8,579
Segment operating result[3)]	-8	-6,515	1	-6,522
Depreciation	-1	-175	-32	-208
Share of loss of an associate	0	0	-450	-450
Assets				
Investment in an associate	0	0	2,390	2,390
Segment investments[4)]	0	168	4	172
Segment assets	4,166	41,267	19,283	64,716
Segment liabilities	1,852	0	11,398	13,250

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 specific activities.
2) Intersegment sales are eliminated for consolidation purposes.
3) Segment operating result does not include any interest income (Q3 2010: € 9 thousand; Q3 2009: € 11 thousand), any interest expense (Q3 2010: € 0; Q3 2009: € 0), any foreign exchange gains or losses (Q3 2010: € 697 thousand; Q3 2009: € -27 thousand), any losses from derivative financial instruments (Q3 2010: € 1,480 thousand; Q3 2009: € 825 thousand), any income from financial assets (Q3 2010: € 0; Q3 2009: € 291 thousand), or any share of gain or loss of an associate (Q3 2010: € 282 thousand; Q3 2009: € -450 thousand).
4) Segment investments relate to additions to fixed and intangible assets.

Segment reporting by business units

In € thousand	Marketed Products	Drug Candidates	Reconciliation[1)]	Total
9M 2010				
Revenue with external customers	35,199	0	0	35,199
Other income	1	89	1	91
Intersegment sales[2)]	0	0	0	0
Total revenue	**35,200**	**89**	**1**	**35,290**
Segment operating result[3)]	**5,121**	**-15,346**	**1**	**-10,224**
Depreciation	-2	-542	-80	-624
Share of gain of an associate	0	0	396	396
Assets				
Investment in an associate	0	0	2,430	2,430
Segment investments[4)]	0	242	24	266
Segment assets	**2,515**	**43,435**	**20,952**	**66,902**
Segment liabilities	**5,934**	**0**	**11,176**	**17,110**
9M 2009				
Revenue with external customers	26,930	58	0	26,988
Other income	39	1,514	27	1,580
Intersegment sales[2)]	0	0	0	0
Total revenue	**26,969**	**1,572**	**27**	**28,568**
Segment operating result[3)]	**2,181**	**-15,926**	**27**	**-13,718**
Depreciation	-3	-517	-102	-622
Share of loss of an associate	0	0	-1,148	-1,148
Assets				
Investment in an associate	0	0	2,390	2,390
Segment investments[4)]	1	245	205	451
Segment assets	**4,166**	**41,267**	**19,283**	**64,716**
Segment liabilities	**1,852**	**0**	**11,398**	**13,250**

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 specific activities.
2) Intersegment sales are eliminated for consolidation purposes.
3) Segment operating result does not include any interest income (9M 2010: € 17 thousand; 9M 2009: € 122 thousand), any interest expense (9M 2010: € 1 thousand; 9M 2009: € 5 thousand), any foreign exchange gains or losses (9M 2010: € 711 thousand; 9M 2009: € -794 thousand), any gains or losses from derivative financial instruments (9M 2010: € 899 thousand; 9M 2009: € -586 thousand), any income from financial assets (9M 2010: € 0; 9M 2009: € 291 thousand), or any share of gain or loss of an associate (9M 2010: € 396 thousand; 9M 2009: € -1,148 thousand).
4) Segment investments relate to additions to fixed and intangible assets.
5) Segment assets under “Reconciliation” include non-current assets (9M 2010: € 3,590 thousand; 9M 2009: € 3,688 thousand), cash and cash equivalents (9M 2010: € 10,782 thousand; 9M 2009: € 9,682 thousand), and other current assets (9M 2010: € 6,580 thousand; 9M 2009: € 5,913 thousand).
6) Segment liabilities under “Reconciliation” include non-current liabilities (9M 2010: € 235 thousand; 9M 2009: € 236 thousand), trade accounts payable and other liabilities (9M 2010: € 10,857 thousand; 9M 2009: € 10,707 thousand), and accruals (9M 2010: € 84 thousand; 9M 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 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 rheumatoid arthritis
- oHSV for the treatment of various types of cancer

- EndoTAG™ technology
- oHSV technology
- AAV 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 9M 2010	Shares Y 2009	Options 9M 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 (until September 30, 2010)	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 September 30, 2010, and December 31, 2009)

Financial calendar/imprint

2011

March 25
Annual Report 2010
Financial press conference/
Analysts conference

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