

Geographic or regional segments

The Group operates in Europe and the USA.

Revenue with external customers

In € thousand	2011	2010
UK	27,668	47,398
USA	1,744	1,114
Other	556	1,100
Total	29,968	49,612

Information about segment revenue is arranged according to the relevant customer's location. In the »Marketed Products« segment, the revenue from discontinued operations achieved with the main customer in the United Kingdom amounted to €27,668 thousand.

Since the transfer of the patents for RhuDex® and for a further project at research stage from MediGene Ltd. to MediGene AG at the end of August 2010, the major portion of non-current assets are held in Germany. In addition, shareholdings are held in associates in the United Kingdom (Immunocore Ltd.) and the USA (Catherex, Inc.).

(64) Legal disputes and appeals

In June 2010, a third party opposed the granting of European Patent No. EP 1530465 to MediGene AG. The patent relates to the manufacturing process for EndoTAG®-1 and to compositions that can be manufactured using this process. In December 2011, the European Patent Office decided in a first-instance ruling that the patent is upheld to an extent which continues to protect the product EndoTAG®-1. In the course of opposition proceedings, MediGene AG had restricted its patent claims to the features that are relevant to EndoTAG®-1. The decision can be appealed.

In the past twelve months, no judicial disputes that could have a major influence on the Company's or its subsidiaries financial situation have been pending, nor is there currently a threat of any such dispute.

Further judicial disputes cannot be ruled out in the future.

(65) German Corporate Governance Code

MediGene AG's Executive Board and Supervisory Board confirmed on December 9, 2011 that MediGene AG complies with most of the recommendations of the German Corporate Governance Code in the current version dated May 26, 2010. The recommendations of the Code which MediGene AG does not implement are explained in detail in the statement of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG). This statement is permanently made available in English and German on the MediGene AG website at www.medigene.de/E_corporate_governance_erklaerung/. MediGene AG's corporate governance report can be found on pages 118 et seq.

(66) Auditing fees

The auditors and Group auditors received the following fees for the fiscal year ended:

Auditing fees		
In € thousand	2011	2010
Auditing services	136	148
Tax consulting services	0	27
Other services	30	52
Total	166	227

I) Executive Board and Supervisory Board

(67) Executive Board

Remuneration of the Executive Board

Remuneration of members of the Executive Board totaled €944 thousand in the fiscal year ended (2010: €997 thousand), including pension expenses of €48 thousand (2010: €52 thousand) and vehicle leasing costs for company cars of €26 thousand (2010: €22 thousand). In addition, stock options with a fair value of €33 thousand (2010: €56 thousand) were issued to the Executive Board.

In fiscal year 2011, MediGene made a payment of €6 thousand (2010: €6 thousand) to the benevolent fund in connection with a pension commitment to a former member of the Executive Board.

Pursuant to point 2.2.1 (II) of the German Corporate Governance Code, the Annual General Meeting may pass a resolution approving the remuneration system for Executive Board members. A resolution regarding the future remuneration system was passed for the first time at the Annual General Meeting on May 11, 2010. It was adopted with a majority of 96%.

Report on the remuneration system for members of the Executive Board of MediGene AG

The full Supervisory Board is responsible for setting the remuneration of MediGene AG's Executive Board members. It is regularly reviewed, taking into account the provisions relating to the Supervisory Board as per section 87 (I) and (II) of the German Stock Corporation Act (AktG) and the recommendations of the German Corporate Governance Code.

The Supervisory Board resolved adjustments in light of the German act on appropriate management board remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG), which came into force on August 5, 2009. The Company intends to implement the remuneration system described below in respect of all future contracts of employment for Executive Board members.

The amount and structure of the remuneration of Executive Board members depend on the respective responsibilities of each Executive Board member, the Company's economic and financial position and the sustained growth of the Company as well as common practice regarding remuneration, taking into account the amount and structure of the remuneration which is paid to others by the Company and that paid in similar companies.

In addition, remuneration is based on the individual performance of Executive Board members as well as the achievements of the Executive Board as a whole. Remuneration is designed as an incentive for achieving sustainable corporate growth and a sustained increase in the Company value.

Total remuneration comprises fixed and variable components as well as other benefits, as described below:

a) Fixed remuneration

Each member of the Executive Board receives fixed remuneration, which is not performance-related and is paid in monthly installments. The amount of the fixed remuneration is determined on the basis of the principles described above.

b) Variable remuneration

1) Annual performance-related remuneration

In addition to fixed remuneration, Executive Board members are entitled to variable remuneration, which is dependent on the achievement of several targets specified by the Supervisory Board in advance. The annual performance-related remuneration amounts to 50% of fixed remuneration if 100% of the targets are met and may be a maximum of 75% of fixed remuneration.

(1) Setting of objectives

The Supervisory Board sets annual objectives, both comprehensively for all Executive Board members and, in addition, separately for each member of the Executive Board. The objectives are weighted by the Supervisory Board.

(2) Establishing the amount of annual performance-related remuneration

The individual objectives set by the Supervisory Board are allocated to one of three possible objectives achievement scenarios: low case, base case and best case.

The low case scenario corresponds to a 50% achievement of objectives, the base case to 100% and the best case to 150%.

In the event that achievement of objectives is below the low case threshold, no variable remuneration is paid. If the achievement of objectives is in the range between the low case and base case, variable remuneration increases on a straight-line basis according to the objective percentage achieved. If the target achievement is in the range between base case and best case, there is no straight-line increase and only the fulfillment of the best case scenario corresponds to a objective achievement of 150%. Objective achievement which surpasses the best case is not reflected in terms of higher remuneration. To this extent, variable remuneration is capped.

The amount of the annual performance-related remuneration is calculated on the basis of the objective achievement percentage in relation to the specific targets, taking into account the weighting of the relevant objective.

(3) Short-term and long-term components of annual performance-related remuneration

65% of the annual performance-related payment granted is paid after the Company's financial statements for the relevant fiscal year have been adopted. Payment of the remaining 35% of the annual performance-related remuneration granted in a specific fiscal year is deferred for a period of three years.

At the end of this three-year period, the Supervisory Board decides whether and to what extent sustained corporate growth can be affirmed. Based on this decision, the Supervisory Board resolves whether and to what extent the remaining 35% of the relevant annual performance-based remuneration will be paid to the respective Executive Board member with appropriate interest.

The Supervisory Board's decision regarding sustained corporate growth is primarily based on the long-term trend in the Company value and therefore also the share price of the Company's shares. The members of the Executive Board thus participate in the

Company's long-term growth on the basis of this remuneration component, and they also share in any negative developments.

2) Stock options

In addition, Executive Board members are granted stock options on the basis of the Company's stock option program. Stock options represent another long-term remuneration component. They are aimed at providing a performance incentive which is geared to sustainable long-term corporate growth.

Stock options are initially granted to each Executive Board member within the first year of their joining the Company. Subsequently, Executive Board members receive further stock options every year. The exercise price corresponds to the average closing price of the last 60 trading days prior to the issue of the stock option plus a 20% premium.

Executive Board members may exercise their stock options at the earliest after a waiting period of four years, starting from the date of allotment of the relevant subscription right. This means that the new requirement introduced of a four-year waiting period for exercising stock options (section 193 (II) (4) of the German Stock Corporation Act, AktG) has already been implemented. The stock options have a contractual term of ten years.

Based on the principles stated in this paragraph relating to the remuneration system, each Executive Board member receives a specific number of stock options, which is separately set for each member every year and ranges from 20,000 to 40,000 stock options.

c) Other benefits

In addition to the above-mentioned remuneration components, members of the Executive Board are granted additional benefits, in particular

- a company car,
- reimbursement of business travel expenses,
- accident insurance cover and payment of the relevant insurance premiums,
- D&O insurance with excess according to the statutory minimum amount and
- payment of an amount of €2 thousand per month as a pension contribution.

The proportional structure of annual performance-related remuneration with a three-year sustainability component and the terms of stock options with a four-year waiting period prior to exercising the stock options create a significant incentive to achieve sustained corporate growth, ensuring a balanced mix of short-term and long-term remuneration components.

d) Special termination rights in the event of a change in control

The contract of employment for Executive Board member Dr. Frank Mathias includes special termination rights for both the Company and the Executive Board member in the event of a change in control. A change in control within the meaning of contracts of employment for Executive Board members exists if more than 30% of the Company's shares with voting rights or more than 50% of the voting rights present on average at the Company's Annual General Meetings during the past three calendar years are acquired by a third party.

If the term of office of Executive Board member Dr. Frank Mathias comes to an end as a result of the Company exercising its special termination right referred to above, he will be entitled to receive a severance payment in the amount of the gross remuneration up to the regular end of his contract, a pro rata temporis gross bonus (without stock options) up to the regular end of the term of the Executive Board member's contract on the basis of the average annual bonus of the past three full years prior to termination of that contract and a severance payment amounting to 2.5 times the annual remuneration owed to him (without stock options). This severance payment may exceed neither the sum of three times the total annual remuneration plus the average annual bonus agreed at the time of the termination of employment, nor 1.5 times the remuneration anticipated for the remaining term of the employment contract, nor the sum of €750 thousand (caps). However, the Company's Supervisory Board may at its discretion waive the last mentioned cap in recognition of Dr. Mathias' outstanding achievements and extraordinary commitment in the situation leading to this special termination.

In the event that Executive Board member Dr. Frank Mathias resigns under the special termination conditions, he will be entitled to receive a severance payment in the amount of three times the gross monthly sum for every completed year of his membership of the Company's Executive Board. The gross monthly amount is comprised of one twelfth of the actual gross remuneration at the time of resignation and one twelfth of the average annual bonus. The severance payment may exceed neither the total of 36 gross monthly salary payments, nor 1.5 times the remuneration anticipated for the remaining term of the employment contract, nor the sum of €750 thousand (caps). However, in the situation leading to this special termination, the Company's Supervisory Board may at its discretion waive the last mentioned cap in recognition of Dr. Mathias' outstanding achievements and extraordinary commitment. The minimum severance payment amounts to six gross monthly salary payments (lower limit).

No such arrangement is in place for Arnd Christ.

Executive Board remuneration 2011

Executive Board member	Fixed compensation in € thousand	Variable and performance based components ¹⁾ in € thousand	Fringe benefit ²⁾ in € thousand	Variable components in the form of stock options	
				Number of stock options	Fair value of options in € thousand
Dr. Frank Mathias Chief Executive Officer Pharmacist, Munich, Germany	370	185	40	35,000	18
Arnd Christ Chief Financial Officer Diploma in business administration, Krailling, Germany	210	105	34	30,000	15
Total	580	290	74	65,000	33

¹⁾ On the basis of the accruals for 2011 (without discounting) in the event of 100% payment.

²⁾ Fringe benefits include pension expenses, and vehicle leasing for the members of the Executive Board.

(68) Supervisory Board**Supervisory Board remuneration**

Supervisory Board remuneration amounted to €229 thousand in 2011 (2010: €261 thousand). The total remuneration paid to the members of the Supervisory Board comprises a fixed portion as well as meeting attendance fees. In addition, expenses are reimbursed. Both the chairmanship and deputy chairmanship of the Supervisory Board are taken into account in the evaluation of the Supervisory Board member's scope of activities. Details regarding the subscription rights of members of the Supervisory Board and Executive Board are provided in *Note (69)*. No advances were paid to members of the Supervisory Board and Executive Board.

Supervisory Board remuneration 2011

Supervisory Board member	Fixed compensation in € thousand	Fees for attending meetings in € thousand
Prof. Dr. Ernst-Ludwig Winnacker Chairman	48	15
Prof. Dr. Norbert Riedel Deputy Chairman	36	15
Dr. Pol Bamelis Member	24	8
Dr. Mathias Albert Boehringer Member	24	10
Dr. Thomas Werner Member	24	10
Klaus Kühn Member (since August 4, 2011)	10	5
Total	166	63

The members of the Supervisory Board possess the following occupational titles:**Prof. Dr. Ernst-Ludwig Winnacker**

since November 26, 1996

Chairman of the Supervisory Board

Secretary General of Human Frontier Science Program (HFSP), Strasbourg, France

Prof. Dr. Norbert Riedel

since October 27, 2003

Deputy Chairman of the Supervisory Board

Corporate Vice President, Chief Scientific Officer, Baxter International, Inc., Deerfield, Illinois, USA

Dr. Pol Bamelis

since May 23, 2001

former Executive Board member, Bayer AG, Leverkusen, Germany

Dr. Mathias Albert Boehringer

since July 16, 2008

Diploma in business administration, Ingelheim, Germany

Dr. Thomas Werner

since February 2, 2010

Freelance management consultant, Utting am Ammersee, Germany

Klaus Kühn

since August 4, 2011

former Executive Board member, Bayer AG, Leverkusen, Germany

The members of the Executive Board and the Supervisory Board additionally hold positions on the following supervisory boards and/or similar bodies:

Prof. Dr. Ernst-Ludwig Winnacker

- Bayer AG, Leverkusen, Germany
- Wacker Chemie AG, Munich, Germany

Prof. Dr. Norbert Riedel

- ARIAD Pharmaceuticals, Inc., Cambridge, MA, USA (since May 2, 2011)

Dr. Pol Bamelis

- Actogenix N.V., Belgium
- PolyTechnos, Ltd., Guernsey, United Kingdom
- Recticel, Belgium (until June 17, 2011)
- Sioen N.V., Belgium (until May 31, 2011)
- Hemacon GmbH, Düsseldorf, Germany

Dr. Mathias Albert Boehringer

- Boehringer Ingelheim shareholders' committee, Ingelheim, Germany
- Phenex Pharmaceutical AG, Ludwigshafen, Germany
- Phorms Management AG, Berlin, Germany

Dr. Thomas Werner

- Pharma Swiss AG, Switzerland (until March 10, 2011)
- 4SC AG, Munich, Germany
- CM&D Pharma Ltd., United Kingdom (until February 1, 2011)
- SkyePharma plc., United Kingdom
- Accera, Inc., USA (until September 15, 2011)
- Basilea Pharmaceutical Ltd., Switzerland (since November 29, 2011)
- SuppreMol GmbH, Planegg, Germany (since June 1, 2011)

Klaus Kühn (since August 4, 2011)

- Flossbach von Storch AG, Cologne, Germany
- Hella KGaA Hueck & Co., Lippstadt, Germany

Dr. Frank Mathias

- Catherex, Inc., USA
- Faller KG, Waldkirchen, Germany (since May 9, 2011)

Arnd Christ

- Immunocore Ltd., United Kingdom
- DNS Beteiligungsgesellschaft mbH, Bessenbach, Germany

(69) Directors' holdings and notes on subscription rights

Member	Shares		Options	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Prof. Dr. Ernst-Ludwig Winnacker Chairman of Supervisory Board, Co-founder	274,476	274,476	0	0
Prof. Dr. Norbert Riedel Deputy Chairman 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
Klaus Kühn Supervisory Board member (since August 4, 2011)	0	0	0	0
Total Supervisory Board	278,176	278,176	0	0
Dr. Frank Mathias Chief Executive Officer	6,000	2,000	127,500	92,500
Arnd Christ Chief Financial Officer	5,000	0	44,278	14,278
Total Executive Board	11,000	2,000	171,778	106,778