MEDIGENE AG
3-MONTHS REPORT 2014

medigene

MEDIGENE'S KEY FIGURES

IN € K	**Q1 2014 UNAUDITED**	Q1 2013 UNAUDITED	CHANGE
Income statement			
Revenue Veregen®	**1,329**	680	95%
thereof Veregen® royalties	**423**	558	-24%
thereof Veregen® revenue from supply chain	**226**	70	>200%
thereof Veregen® milestone payments	**680**	52	>200%
Other operating income	**1,101**	629	75%
Total revenue	**2,430**	**1,309**	**86%**
Cost of sales	**-267**	-223	20%
Gross profit	**2,163**	1,086	99%
Selling, general and administrative expenses	**-2,210**	-1,821	21%
Research and development expenses	**-1,596**	-1,753	-9%
Operating result	**-1,643**	-2,488	-34%
Net result for the period	**-2,044**	**-3,273**	**-38%**
EBITDA	**-1,452**	**-2,296**	**-37%**
Earnings per share in €	**-0.19**	-0.35	-45%
Personnel expenses	**-1,597**	-1,477	8%
Cash flow statement			
Cash flow from operating activities	**-2,852**	-3,400	-16%
Cash flow from investing activities	**-37**	-4	>200%
Cash flow from financing activities	**-58**	0	–
Balance sheet data as at 31 March			
Cash and cash equivalents	**7,221**	16,676	-57%
Balance sheet total	**58,747**	58,265	1%
Current liabilities	**5,368**	4,447	21%
Non-current liabilities	**15,385**	12,818	20%
Shareholders' equity	**37,994**	41,000	-7%
Equity ratio in %	**65**	70	-8%
Employees as at 31 March	**61**	51	20%
FTE as at 31 March	**58**	47	20%
Medigene share as at 31 March			
Total number of shares outstanding[1)]	**10,889,950**	9.270.690	17%
Share price (XETRA closing price)[1)]	**5.40**	3,52	53%

[1)] After the capital reduction implemented in 2013, the comparative figures for Q1 2013 were adjusted with retroactive effect: earnings per share and the share price were multiplied by 4 and the total number of shares outstanding reduced in the ratio of 4:1.

MEDIGENE'S PRODUCTS AND CLINICAL PROJECTS

PRODUCT	INDICATION	PRE-CLINIC	CLINICAL PHASE I	CLINICAL PHASE II	CLINICAL PHASE III	APPROV-AL	MARKET
Marketed drugs							
Veregen®	Genital warts						
Drugs in development							
EndoTAG®-1	Triple-negative breast cancer (TNBC)						
RhuDex®	Autoimmune diseases						
DC vaccines	Prostate cancer[2)]						
DC vaccines	Acute myeloid leukaemia (AML)[2)]						
TCR	Cancer						
TABS	Leukaemia and autoimmune diseases						
AAVLP	Vaccine technology						
Chance of reaching the market[1)]		< 10 %	< 15 %	< 30 %	< 70 %	< 90 %	

[1)] Industrial average, estimates of Medigene AG

[2)] Investigator-initiated trial, IIT

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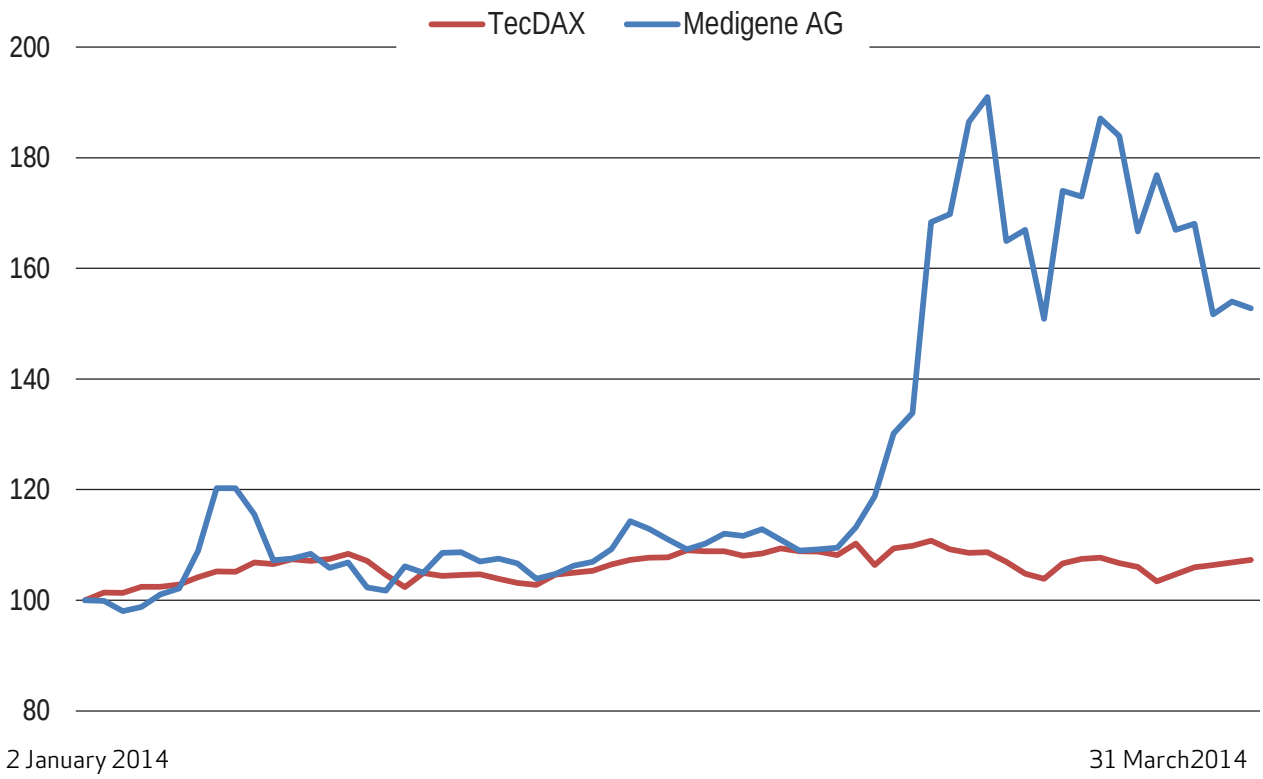
MEDIGENE'S SHARE PRICE PERFORMANCE

(2 JANUARY 2014 €3.53 INDEXED TO 100)



KEY FIGURES OF THE MEDIGENE SHARE

IN €	**3M 2014**	3M 2013[3)]
3-month high	6.75	4.40
3-month low	3.42	3.52
Opening price	3.53	4.08
Closing price	5.40	3.52
Average price	4.47	4.00
Weighted average number of shares	10,595,916	9,270,690
Average market capitalisation (€ m)	49	37
Average daily trading volume (in shares)	91,059	12,563
Total number of shares outstanding	10,889,950	9,270,690
Earnings per share in €	-0.19	-0.35
Shareholders' equity per share[1)]	3.49	4.44
Cash flow from operating activities per share[1)]	-0.26	-0.34
Free float[2)] (%)	85	94

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

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

[3)] After the capital reduction in 2013, the comparative figures for 3M 2013 were adjusted with retroactive effect: the share price, earnings per share, shareholders' equity per share and the cash flow from operating activities per share were multiplied by 4 and the weighted average number of shares, average daily turnover and the total number of shares outstanding were reduced in the ratio of 4:1.

GROUP INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS Q1 2014

OF MEDIGENE AG, PLANEGG/MARTINSRIED, GERMANY, FOR THE PERIODFROM 1 JANUARY TO 31 MARCH2014

FINANCIAL HIGHLIGHTS IN THE FIRST QUARTER OF 2014

- **Total revenue up by 86% to €2,430 k (Q1 2013: €1,309 k)**
- **Revenue from Veregen® up by 95% to €1,329 k (Q1 2013: €680 k)**
- **EBITDA-based loss reduced by 37% to €1,452 k (Q1 2013: €2,296 k)**
- **Net loss reduced by 38% to €2.044 k (Q1 2013: €3.273 k)**
- **Acquisition of Trianta Immunotherapies completed through non-cash capital increase**

MAJOR EVENTS SINCE THE BEGINNING OF 2014

Veregen®:

- Market launch in Sweden (January 2014), the Czech Republic and Slovakia (both March 2014) as well as Hungary and Poland (both April 2014)
- Partnership agreement signed for marketing Veregen® in the UK and Ireland

EndoTAG®-1:

- Preparations for the start of a pivotal Phase III trial in cooperation with partner SynCore Biotechnology

RhuDex®:

- Licensing agreement signed with Falk Pharma for RhuDex® in hepatology and gastroenterology

AAVLP:

- Initial preclinical data on successful protection against some important HPV virus subtypes, final data under evaluation

DC vaccine:

- US patent to protect the process for manufacturing mature, polarised dendritic cells with a patent term until 2027

T-cell receptor (TCR) modified T-cells:

- US patent for T-cell receptors which target the tumour-associated antigen tyrosinase with a patent term until 2030

TABs:

- Continuation of preclinical development with the aim of delivering proof of principle

PRELIMINARY NOTES

Medigene develops drugs to treat cancer and autoimmune disease

Medigene AG, Planegg/Martinsried, Germany (hereinafter referred to as „Medigene"), is a biopharmaceutical company that concentrates on clinical research and development of novel drugs against cancer and autoimmune diseases and, following the acquisition of Trianta Immunotherapies GmbH in January 2014, focuses on personalized T cell immunotherapies.

Status of the product portfolio

Medigene has one approved drug on the market, Veregen®, which generates revenue. Veregen® is distributed by several partners. The two clinical drug candidates, EndoTAG®-1 and RhuDex® are licensed to partners who will assume responsibility for the further clinical development. Through the acquisition of Trianta Immunotherapies GmbH, Medigene acquired three complementary immunotherapy platforms (DC vaccines, T cell receptor- (TCR) modified T cells and TABs) with programmes in clinical development for the treatment of various types of cancer. In addition, Medigene is developing the AAVLP vaccine technology.

Veregen®

Veregen®, a drug for the treatment of genital warts, was developed by Medigene AG and generates revenue from royalties, supply chain and milestone payments.

Veregen® is currently available in Austria, Germany, Spain, Switzerland and the USA as well as Serbia, the Netherlands, Taiwan, Norway and, since January 2014, in Sweden. Moreover, Veregen® was launched in the Czech Republic and Slovakia in March 2014 and in Hungary and Poland in April 2014. Within the EU, Veregen® was approved during the course of 2012 and 2013 in all the countries for which Medigene applied for approval at the end of 2011 under the mutual recognition procedure. Outside the EU, Veregen® has been approved in Israel and in Canada. Additionally, market authorisation applications have been submitted by partner companies in Mexico and Turkey. These are currently being evaluated by the regulatory authorities.

Medigene has signed agreements with various partners worldwide for the marketing of Veregen®. For Europe: Taurus Pharma GmbH (Germany), Abbott Arzneimittel GmbH (Austria, Switzerland), Bial Industrial Farmaceutica, S.A. (Spain, Portugal), Pharmanova d.o.o. (Serbia, Bosnia & Herzegovina, Montenegro, Macedonia, Croatia, Slovenia and Albania), L.F. Will-Pharma & Cie. (Netherland, Belgium and Luxemburg), Azanta A/S (Norway, Sweden, Denmark, Finland and Iceland), Meditrina Pharmaceuticals, Ltd. (Greece, Cyprus, Romania and Bulgaria), Laboratoires Expanscience (France), Nordic Pharma (Eastern Europe, Russia and other CIS countries), EIP Eczacibasi Ilac Pazarlama A.S. (Turkey), Difa Cooper SPA (Italy) and Kora Healthcare (UK, Ireland). For America: Fougera Pharmaceuticals, Inc. (USA), Paladin Labs Inc., formerly Triton Pharma Inc. (Canada), Pierre Fabre Medicament SAS (Mexico, Central America, Venezuela and Columbia). For Asia/ Middle East: Teva Pharmaceutical Industries Ltd. (Israel),GC-RISE Pharmaceutical Ltd. (China), Kolon Pharmaceuticals Inc. (South Korea), SynCore Biotechnology Co., Ltd. (Afghanistan, Bangladesh, Bhutan, Brunei, Burma, Cambodia, India, Indonesia, Iran, Iraq, Japan, Laos, Malaysia, the Maldives, Mongolia, Nepal, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan, Thailand, Vietnam, along with Australia and New Zealand).

Veregen® is an innovative drug formulation based on a defined extract from green tea leaves, which is obtained in a complex and specifically developed production process. In several clinical studies[1], Veregen® showed complete clearance of genital warts in more than 60% of the patients, and was very well tolerated. In its current treatment guidelines for sexually transmitted diseases, the US Center for Disease Control and Prevention recommends Sinecatechins 15% ointment (Veregen®) as a possible option for treating genital warts. In addition, Sinecatechins 10% and 15% ointment (Veregen®) were included in the 2012 European Guideline for the Management of Anogenital Warts as a recommended treatment option for genital warts.

EndoTAG®-1

The clinical drug candidate EndoTAG®-1 is an innovative composition of the established cytostatic drug paclitaxel combined with neutral and positive lipids. Due to the positively charged lipids, EndoTAG®-1 interacts with newly developed, negatively charged endothelial cells, which are specifically required for the growth of tumour blood vessels. The EndoTAG®-1 paclitaxel component attacks the activated endothelial cells as they divide, thus targeting the blood supply to tumours without affecting endothelial cells of healthy tissues. By doing this, EndoTAG®-1 is expected to prevent the formation of new tumour blood vessels and inhibit tumour growth.

Medigene has successfully completed two clinical Phase II trials of EndoTAG®-1 in the indications of pancreatic cancer and triple-negative breast cancer (TNBC). Furthermore, Medigene published positive results from an Investigator Initiated Trial

[1] Tatti S et al. B J Dermatol 2010; 162 (1): 176-184

(IIT) with neoadjuvant EndoTAG®-1 in HER2-negative high-risk breast cancer at the ASCO 2013 Annual Meeting.
In May 2013, Medigene announced the conclusion of a global development and marketing partnership agreement for EndoTAG®-1 with its cooperation partner SynCore Biotechnology. As part of the licence agreement, SynCore has undertaken to finance the planned Phase III clinical trial with EndoTAG®-1 in the indication of TNBC in full, and has in turn received the global marketing rights for EndoTAG®-1. Medigene received an upfront payment from SynCore and is entitled to payments upon certain development and approval milestones as well as royalties after market approval of EndoTAG®-1.

RhuDex®

The drug candidate RhuDex® is an oral, disease modifying agent to treat autoimmune diseases. It is a CD80 antagonist that blocks undesired T-cell activation and production and therefore has an immunomodulating and anti-inflammatory effect.

The safety and tolerability of RhuDex® have already been demonstrated in a number of Phase I clinical trials. Medigene has successfully completed a pilot Phase IIa trial in the indication rheumatoid arthritis. In 2013, Medigene outlined preparations for a further clinical development of RhuDex® in the indication of primary biliary cirrhosis (PBC). In March 2014, it signed a licence agreement with the pharmaceutical company Dr. Falk Pharma GmbH, Freiburg, for the development and marketing rights to RhuDex®in the indications hepatology and gastroenterology. Falk Pharma will assume responsibility and all costs relating to the clinical development and marketing of RhuDex® in these therapeutic areas. Medigene will receive an upfront payment and future milestone payments from Falk Pharma, plus double-digit royalties on sales of RhuDex®. Falk Pharma will initially concentrate on development in primary biliary cirrhosis (PBC). Medigene retains the rights for RhuDex® in rheumatoid arthritis, psoriasis and other autoimmune diseases.

AAVLP-technology

Within the AAVLP (adeno-associated virus-like particles) programme, Medigene is developing an innovative technology platform for the generation of new prophylactic and therapeutic vaccines. For this purpose, non-infectious virus-like particles derived from adeno-associated viruses (AAV) are used as epitope carriers. Epitopes delivered to the immune system in this way result in the production of antibodies. These antibodies in turn recognise the relevant epitope, e.g. on pathogens or mutant cancer cells, and consequently fight and/or protect against the relevant disease. Medigene is currently conducting research into the use of the AAVLP technology to treat infectious diseases and cancer and is pursuing two different approaches. One is the direct integration of known epitopes. The second approach is based on the use of AAV libraries. Rather than defined epitopes, AAV libraries contain a random sequence. Appropriate screening enables the targeted selection of novel vaccine candidates from these libraries. The key benefit of this technology is the possibility of directly transferring the mode of action of existing therapeutically effective antibodies into an active vaccine.

A preclinical cross-protection long-term study in cooperation with Pennsylvania State University with the aim of demonstrating long-term protection against various human papilloma virus (HPV) infections has been completed. Preliminary preclinical results point to a successful protection against several important subtypes of HPV viruses. The final results of the study are currently under evaluation.

Immunotherapy

Through the acquisition of Trianta Immunotherapies GmbH in January 2014 as a wholly owned subsidiary, Medigene has acquired three innovative and complementary platforms in the field of immunotherapy.

DC vaccines

The most advanced platform develops next generation antigen-tailored dendritic cell (DC) vaccines. Dendritic cells can take up antigens efficiently, process them and present them on their surface in a form that can induce T cells to divide and mature. Dendritic cells can also induce natural killer cells (NK cells) to become active and attack tumour cells. Trianta has developed new, fast and efficient methods for preparing autologous (patient-specific) mature dendritic cells which have relevant characteristics to activate both T cells and NK cells. The dendritic cells are developed to carry various tumour antigens to treat different types of cancer.

The DC vaccines are being evaluated in two ongoing, externally funded investigator initiated trials: a clinical Phase I/II trial in acute myeloid leukaemia (AML) at the Ludwig-Maximilian University Hospital Großhadern, Munich, in cooperation with Dr.

Marion Subklewe, and a clinical Phase II trial in prostate cancer at the Oslo University Hospital in cooperation with Prof. Gunnar Kvalheim. Previous clinical compassionate-use (prescription of as-yet unapproved drugs in particularly severe cases where there are no treatment alternatives) studies with Trianta's DC vaccines have already yielded encouraging data on safety and clinical benefits in several tumour types.

At the end of March 2014 the US Patent Office issued a patent relating to the manufacturing of mature, polarised dendritic cells. The patent has a term until 2027and is licensed exclusively to Trianta by the Helmholtz Zentrum München.

T cell receptor (TCR)-based adoptive T cell therapy

The second platform in the field of immunotherapy aims to arm the patient's own T cells with tumour-specific T cell receptors. The receptor-modified T cells are then able to detect and efficiently kill tumour cells. This form of immunotherapy aims to overcome the patient's tolerance to cancer cells, and the tumour-induced immunosuppression in the patient, by activating and modifying the patient's T cells outside the body (ex vivo). A large army of specific T cells to fight the tumour is made available to patients within a short period of time.

Trianta is currently establishing a comprehensive library of recombinant T cell receptors and a good manufacturing practice (GMP)-compliant process for their combination with patient-derived T cells. Discussions with regulatory authorities for the preparation of first clinical trials with defined product candidates are ongoing.

Anti-TCR monoclonal antibodies (TABs)

The third product platform serves to generate monoclonal antibodies which recognise different T cells based on their T cell receptors (TABs = T cell-specific antibodies). These TABs are intended to remove unwanted cells from the body in order to treat T cell-induced diseases such as T cell leukaemia or various autoimmune diseases.

This platform has helped to produce and characterise monoclonal antibodies which are able to distinguish between different T cell receptors. Proof of technology was established in preclinical experiments.

INCOME POSITION

Revenue and other operating income

In the first three months of 2014, Medigene's total revenue rose by 86% to €2,430 k (Q1 2013: €1,309 k). Medigene achieved sales growth of 95% to €1,329 k (Q1 2013: €680 k) with the drug Veregen®. Revenue from Veregen® sales comprised royalties, revenue from product deliveries (supply chain) and milestone payments. Compared with the very strong previous year's quarter, royalties received in the first quarter of 2014 were down to €423 k (Q1 2013: €558 k). This was due to an overall weak US dermatology market while a strong increase in revenues was recorded in the remaining markets. At the same time, revenue from Veregen® supply chain to sales partners rose significantly to €226 k in the first quarter of 2014 (Q1 2013: €70 k) and milestone payments received from partner companies were up to €680 k (Q1 2013: €52 k), mainly attributable to a milestone payment received as part of the agreement signed with the new marketing partner Taurus Pharma GmbH.

In addition, Medigene's other operating income rose by 75% to €1,101 k (Q1 2013: €629 k). On the one hand, this included regular, non-cash income of €623 k (Q1 2013: €623 k) from the transfer of rights to Medigene's former drug Eligard®, agreed with US financial investor Cowen Healthcare Royalty Partners in 2012. On the other hand, the figure encompasses cost reimbursements which Medigene receives under the global EndoTAG®-1 partnership agreement signed with SynCore Biotechnology in May 2013 for the development of this drug candidate that amounted to €441 k in the reporting period (Q1 2013: €0).

CONSOLIDATED INCOME STATEMENT (ABBREVIATED)

IN € K	**Q1 2014 UNAUDITED**	Q1 2013 UNAUDITED	CHANGE
Revenue Veregen®	**1,329**	**680**	**95%**
thereof Veregen® royalties	**423**	558	-24%
thereof Veregen® revenue from supply chain	**226**	70	>200%
thereof Veregen® milestone payments	**680**	52	>200%
Other operating income	**1,101**	629	75%
Total revenue	**2,430**	**1,309**	**86%**
Cost of sales	**-267**	-223	20%
Gross profit	**2,163**	**1,086**	**99%**
Selling, general and administrative expenses	**-2,210**	-1,821	21%
Research and development expenses	**-1,596**	-1,753	-9%
Operating result	**-1,643**	**-2,488**	**-34%**
Net result for the period	**-2,044**	**-3,273**	**-38%**

Cost of sales

The cost of sales amounted to €267 k in the first quarter of 2014 (Q1 2013: €223 k). This cost was incurred for material costs and royalties for Veregen®.

Gross profit

Gross profit rose by 99% to €2,163 k in the first quarter of 2014 (Q1 2013: €1,086 k).

Selling, general and administrative expenses

Compared with the previous year's reporting period, selling, general and administrative expenses were up from €1,821 k (Q1 2013) to €2,210 k in the first quarter of 2014. This amount comprises selling expenses of €563 k (Q1 2013: €616 k) as well as general and administrative expenses of €1,647 k (Q1 2013: €1,205 k). General and administrative expenses increased due to one-off costs incurred in respect of the acquisition of Trianta Immunotherapies GmbH.

Research and development expenses

Research and development expenses decreased to €1,596 k in the first quarter of 2014 (Q1 2013: €1,753 k). The reduction in these expenses was mainly attributable to planned lower expenses for preclinical and clinical trials. In contrast, personnel expenses were up following the transfer of Trianta employees who joined Medigene.

EBITDA

Medigene's EBITDA is derived from the result for the period excluding taxes, the financial result, foreign exchange gains and losses, share of result of associates and depreciation and amortisation. The result on an EBITDA basis was up by 37% to €-1,452 k in the first quarter of 2014 (Q1 2013: €-2,296 k).

Depreciation and amortisation

Depreciation and amortisation totalled €191 k in the first quarter of 2014 (Q1 2013: €192 k).

Financial result

The financial result amounted to €-372 k in the reporting period (Q1 2013: €-399 k) and essentially comprised non-cash interest expenses totalling €374 k (Q1 2013: €402 k), which resulted from the valuation of financial liabilities owed to Cowen.

Share of result of associates

The result from investments in associates totalled €-58 k in the first three months of 2014 (Q1 2013: €-44 k).

3-month result 2014

In the first three months of 2014, Medigene reduced the net loss by 38%, achieving a net result of €-2,044 k (Q1 2013: €-3,273 k).

Earnings per share

In the first quarter of 2014, the loss per share amounted to €0.19 (weighted average number of shares, basic and diluted: 10,595,916) compared with a loss of €0.35 per share in the same period of the previous year (Q1 2013: weighted average number of shares, basic and diluted: 9,270,690[1)]).

FINANCIAL POSITION

Cash used by operating activities

In the first quarter of 2014, Medigene reduced the cash outflow from operating activities by 16% to €2,852 k (Q1 2013: €3,400 k). This resulted in average monthly cash used of less than €1 m (Q1 2013: €1.1 m). The major share of the cash outflow was attributable to expenses for research and development as well as marketing and administration. Net cash used for operating activities is only of limited informative value with regard to future developments, as it is significantly influenced by one-off payments under partnership agreements and by research and development expenses, the amount of which depends on the status of projects.

Cash flow from investing activities

In the first quarter of 2014, the cash outflow from investing activities amounted to €37 k (Q1 2013: €4 k). Of this figure, cash and cash equivalents acquired with Trianta accounted for €21 k.

Cash flow from financing activities

The cash outflow from financing activities amounted to €58 k in the first quarter of 2014 (Q1 2013: €0) and included the cost of issuing Medigene shares as part of the Trianta acquisition.

[1)] After the capital reduction implemented in 2013, the comparative figures for Q1 2013 were adjusted with retroactive effect: the loss per share was multiplied by 4 and the weighted average number of shares reduced in the ratio of 4:1.

CHANGE IN CASH AND CASH EQUIVALENTS

IN € K	**Q1 2014 UNAUDITED**	Q1 2013 UNAUDITED	CHANGE
Net cash			
used by operating activities	**-2,852**	-3,400	-16%
used by investing activities	**-37**	-4	>200%
used by financing activities	**-58**	0	–
Decrease in cash and cash equivalents	**-2,947**	**-3,404**	**-13%**
Cash and cash equivalents at the beginning of the period	**10,166**	20,113	-49%
Foreign exchange differences	**2**	-33	-106%
Cash and cash equivalents at the end of the period	**7,221**	**16,676**	**-57%**

As at the reporting date of 31 March 2014, cash and cash equivalents totalled €7,221 k (2013: €10,166 k).

ASSET POSITION

DEVELOPMENT OF ASSETS AND CAPITAL STRUCTURE

IN € K	**31 MARCH 2014 UNAUDITED**	31 DEC 2013	CHANGE
Assets			
Property, plant and equipment and intangible assets	**35,779**	27,363	31%
Goodwill	**2,385**	2,212	8%
Financial and other non-current assets	**4,288**	4,304	0%
Investment in an associate	**2,450**	2,513	-3%
Cash and cash equivalents	**7,221**	10,166	-29%
Inventories and receivables	**4,650**	4,409	5%
Other current assets	**1,974**	1,688	17%
Total assets	**58,747**	**52,655**	**12%**
Liabilities and shareholders' equity			
Shareholders' equity	**37,994**	36,276	5%
Non-current liabilities	**15,385**	11,287	36%
Current liabilities	**5,368**	5,092	5%
Total liabilities and shareholders' equity	**58,747**	**52,655**	**12%**
Liquidity ratio in %	**12**	**19**	
Equity ratio in %	**65**	**69**	

Employees

As at the reporting date, the number of employees was 61 (2013: 51). The full-time equivalent (FTE) number of employees rose to 58 in the first quarter of 2014 (2013: 48) following the acquisition of nine Trianta employees. Personnel expenses amounted to €1,597 k in the reporting period (Q1 2013: €1,477 k).

Related parties

Detailed information about related parties is provided on page 23 of the notes.

Segment information

For detailed segment information, please see notes, pages 22 f.

Risk report

The inherent risks to which the Group is subject are described in detail in the risk report of the published Group Management's Discussion and Analysis (MD&A) 2013. As at the closing date of 31 March 2014, no material changes to the risks described therein have occurred.

Financial risks

Since Medigene AG was founded in 1994, the Company has reported operating losses in almost every financial year, as expenses for research and development in the relevant years exceeded the corresponding revenue or gross profit. The future achievement of profitability depends on progress in terms of operations as well as Medigene's strategic decisions and is not yet secured.

Medigene's present cash position and operating cash flow may possibly be insufficient to cover the expected investment expenses and working capital that will be required in the foreseeable future, covering approximately 18 months, which implies that the going concern of the Company and the Group is endangered. The ability to raise additional funds depends on financial, economic and other factors which, in the majority of cases, cannot be influenced by the Company's management. These factors also include the results achieved as part of Medigene's research and development activities. Medigene may not always have sufficient funds under acceptable terms and conditions at its disposal when required. Should this be the case, Medigene may need to reduce its spending on research and development, production or marketing. On the basis of current liquidity planning, the Executive Board assumes that it will be fully financed at least until the second quarter of 2015. Financing beyond this period will require further external financial resources. At this time, the Executive Board considers it to be most likely that these funds will be raised early enough. Possible sources of capital may be additional partnerships with pharmaceutical companies or capital measures.

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, please refer to the Group Management's Discussion and Analysis (MD&A) 2013, which was published on 27 March 2014.

MAJOR EVENTS SINCE THE END OF THE REPORTING PERIOD

The following major events in terms of corporate development have occurred after the end of the reporting period:

US patent for TCR-modified T cell immunotherapy

At the end of April 2014, the US Patent Office issued a patent relating to T-cell receptors against the tumour associated antigen tyrosinase. The patent has a term until 2030 and is licensed exclusively to Medigene's wholly owned subsidiary Trianta Immunotherapies GmbH by Helmholtz Zentrum München.

Prof. Dr. Dolores J. Schendel appointed as Chief Scientific Officer effective 1 May 2014

The Supervisory Board has appointed Prof. Dr. Dolores J. Schendel as Chief Scientific Officer of Medigene AG effective 1 May 2014 as planned. Former Director of the Institute of Molecular Immunology at the Helmholtz-Zentrum München and Managing Director of Trianta Immunotherapies GmbH, Prof. Schendel will now be the Executive Board member responsible for research and development at Medigene. She will continue as member of the Management Board of Trianta Immunotherapies GmbH, which was acquired by Medigene in January 2014. With the appointment of Prof. Schendel, the Executive Board has increased to three members.

OPPORTUNITIES AND OUTLOOK

Financial forecast 2014

Medigene confirms its financial guidance published on the occasion of the annual report 2013 in March 2014. The Company expects a double-digit percentage increase in total revenue in 2014 (2013: €7.6 m). Thereof revenue from Veregen® is likely to amount to €5 m - €6 m (2013: €4.2 m). In addition, Medigene expects to generate revenue consisting mainly of reimbursements of development costs for EndoTAG®-1 from SynCore, of non-cash payments from a transaction with Medigene's former drug Eligard® as well as pro rata upfront or milestone payments from partnerships. The EBITDA loss in 2014 is likely to be reduced to €4 m - €6 m (2013: €8.3 m).

According to the current business assumptions, Medigene expects to be financed at least until the second quarter of 2015.

Veregen®

Medigene expects the market launch of Veregen® in 2014 in numerous other countries, especially in Europe. The Company is planning to file for approval in a further seven to nine European countries under the mutual recognition procedure in the second half of 2014. Medigene expects an increase of more than 20% in Veregen® sales in 2014.

EndoTAG®-1

SynCore is planning a pivotal international Phase III trial of EndoTAG®-1 in the indication triple-negative breast cancer (TNBC). SynCore bears the costs of the trial and is planning to start the study by the end of 2014.

RhuDex®

After the signing of a licence agreement for RhuDex® in March 2014, Falk Pharma is preparing the clinical development of the drug candidate in the indication primary biliary cirrhosis (PBC). Under the terms of the licence agreement, Falk Pharma receives the rights to RhuDex® in hepatology and gastroenterology and will bear all development and marketing costs for RhuDex® in these therapeutic areas.

DC vaccines

The current investigator initiated trials (IITs) being conducted at the University Hospital in Oslo (Phase II trial in prostate cancer) and at the University Hospital in Munich (Phase I/II trial in acute myeloid leukaemia, AML) will continue. Medigene plans to initiate a further clinical study in AML in 2014 and a clinical study in a further hematological indication in 2015.

TCR-modified T cells

The development of a GMP-compliant manufacturing process for the adoptive T cell therapy using TCR-modified T cells will be continued. Clinical development of the first product candidates is in preparation and first preparatory talks with the authorities have already taken place and are ongoing.

TABs

Preclinical development of the anti-TCR monoclonal antibodies (TABs) continues with the aim of achieving proof of principle.

AAVLP technology

The final results of the preclinical trial in cooperation with Pennsylvania State University to demonstrate long-term protection against infection from various types of HPV are currently under evaluation. AAVLP technology is available for partnerships and for out licensing.

CONSOLIDATED INCOME STATEMENT

OF MEDIGENE AG FOR THE PERIODS FROM 1 JANUARY TO 31 MARCH 2014 AND 2013

IN € K	**Q1 2014 UNAUDITED**	Q1 2013 UNAUDITED
Product sales	**1,329**	680
Other operating income	**1,101**	629
Total revenue	**2,430**	**1,309**
Cost of sales	**-267**	-223
Gross profit	**2,163**	1,086
Selling expenses	**-563**	-616
General and administrative expenses	**-1,647**	-1,205
Research and development expenses	**-1,596**	-1,753
Operating result	**-1,643**	**-2,488**
Interest income	**2**	3
Interest expense	**-374**	-402
Foreign exchange gains/losses	**29**	-342
Share of result of an associate	**-58**	-44
Result before tax	**-2,044**	**-3,273**
Taxes	**0**	0
Net result for the period	**-2,044**	**-3,273**
Basic and diluted earnings per share in € [1)]	**-0.19**	-0.35
Weighted average number of shares outstanding (basic and diluted) [1)]	**10,595,916**	9,270,690

[1)] After the capital reduction in 2013, the comparative figures for Q1 2013 were adjusted with retroactive effect: earnings per share were multiplied by 4 and the weighted average number of shares outstanding reduced in the ratio of 4:1.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

OF MEDIGENE AG FOR THE PERIODS FROM 1 JANUARY TO 31 MARCH 2014 AND 2013

IN € K	**Q1 2014 UNAUDITED**	Q1 2013 UNAUDITED
Net result for the period	**-2,044**	**-3,273**
Other comprehensive income		
Other comprehensive income to be reclassified to profit and loss in subsequent periods:		
Exchange differences on translation of foreign operations [1)]	**-3**	47
Other comprehensive income for the period, net of tax	**-3**	**47**
Total comprehensive income for the period, net of tax	**-2,047**	**-3,226**

[1)] No income tax affects were incurred.

CONSOLIDATED BALANCE SHEET

OF MEDIGENE AG AS OF 31 MARCH 2014 AND 31 DECEMBER 2013

ASSETS

IN € K		31 MARCH 2014 UNAUDITED	31 DEC 2013
A. Non-current assets			
I.	Property, plant and equipment	**390**	405
II.	Intangible assets	**35,562**	26,958
III.	Goodwill	**2,212**	2,212
IV.	Financial assets	**3,957**	3,929
V.	Investment in an associate	**2,450**	2,513
VI.	Other assets	**331**	375
Total non-current assets		**44,902**	**36,392**
B. Current assets			
I.	Inventories	**4,109**	3,046
II.	Trade accounts receivable	**541**	1,363
III.	Cash and cash equivalents	**7,221**	10,166
IV.	Other assets	**1,974**	1,688
Total current assets		**13,845**	**16,263**
Total assets		**58,747**	**52,655**

LIABILITIES AND SHAREHOLDERS' EQUITY

A. Shareholders' equity			
I.	Subscribed capital	**10,890**	9,872
II.	Additional paid-in capital	**376,333**	373,586
III.	Accumulated deficit	**-349,051**	-347,007
IV.	Other reserves	**-178**	-175
Total shareholders' equity		**37,994**	**36,276**
B. Non-current liabilities			
I.	Financial liabilities	**10,051**	10,356
II.	Pension obligations	**297**	304
III.	Other financial liabilities	**2,518**	291
IV.	Deferred income	**268**	336
V.	Deferred taxes	**2,251**	0
Total non-current liabilities		**15,385**	**11,287**
C. Current liabilities			
I.	Trade account payable	**1,805**	1,419
II.	Other financial liabilities	**3,507**	3,651
III.	Deferred income	**56**	22
Total current liabilities		**5,368**	**5,092**
Total liabilities		**20,753**	**16,378**
Total liabilities and shareholders' equity		**58,747**	**52,655**

CONSOLIDATED STATEMENT OF CASH FLOWS

OF MEDIGENE AG FOR THE PERIODS FROM 1 JANUARY TO 31 MARCH 2014 AND 2013

IN € K	**Q1 2014 UNAUDITED**	Q1 2013 UNAUDITED
Cash flow from operating activities		
Net result for the period before taxes	**-2,044**	**-3,273**
Non-cash adjustments to reconcile net result before tax to net cash flows:		
Share-based compensation	**6**	11
Other non-cash income	**-623**	-623
Depreciation and amortisation	**191**	192
Interest income	**-2**	-3
Interest expense	**374**	402
Changes in:		
Inventories	**-1,063**	-1,023
Other assets and accounts receivable	**552**	425
Trade accounts payable	**386**	969
Other liabilities and deferred income	**-687**	114
Income tax expense	**0**	-638
Share of result of an associate	**58**	44
Subtotal	**-2,852**	**-3,403**
Interest received	**0**	3
Net cash used by operating activities	**-2,852**	**-3,400**
Cash flow from investing activities		
Purchase of property, plant and equipment	**-58**	-4
Cash and cash equivalents acquired with Trianta	**21**	0
Net cash used by investing activities	**-37**	**-4**
Net cash used by financing activities		
Expenses on shares issued	**-58**	0
Cash flow from financing activities	**-58**	**0**
Decrease in cash and cash equivalents	**-2,947**	**-3,404**
Cash and cash equivalents at the beginning of the period	**10,166**	20,113
Foreign exchange differences	**2**	-33
Cash and cash equivalents at the end of the period	**7,221**	**16,676**

CONSOLIDATED STATEMENT OF CHANGES IN SHARE-HOLDERS' EQUITY

OF MEDIGENE AG FOR THE PERIODS FROM 1 JANUARY TO 31 MARCH 2014 AND 2013

IN € K	NUMBER OF SHARES	SUBSCRIBED CAPITAL	CAPITAL RESERVE	ACCUMULATED DEFICIT	CURRENCY TRANSLATION	FINANCIAL ASSETS	TOTAL SHAREHOLDERS' EQUITY
Balance 1 Jan 2013	**37,082,758**	**37,082**	**343,938**	**-336,724**	**-123**	**-6**	**44,167**
Net result for the period				-3,273			-3,273
Other comprehensive income					47		47
Comprehensive income							**-3,226**
Share-based compensation			11				11
Balance 31 March 2013, unaudited	**37,082,758**	**37,082**	**343,949**	**-339,997**	**-76**	**-6**	**40,952**
Balance 1 Jan 2014	**9,872,139**	**9,872**	**373,586**	**-347,007**	**-177**	**2**	**36,276**
Net result for the period				**-2,044**			**-2,044**
Other comprehensive income					**-3**		**-3**
Comprehensive income							**-2,047**
Shares issued	**1,017,811**	**1,018**	**2,799**				**3,817**
Expenses on shares issued			**-58**				**-58**
Share-based compensation			**6**				**6**
Balance 31 March 2014, unaudited	**10,889,950**	**10,890**	**376,333**	**-349,051**	**-180**	**2**	**37,994**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

OF MEDIGENE AG, PLANEGG/MARTINSRIED, FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2014

A. DESCRIPTION OF BUSINESS ACTIVITY, INFORMATION ABOUT THE COMPANY

Medigene AG, Planegg/Martinsried, Germany (hereinafter referred to as „Medigene"), is a biopharmaceutical company that specialises in the research and development of innovative drugs to treat cancer and autoimmune diseases and generates revenue from one marketed drug. Following the acquisition of Trianta Immunotherapies GmbH in January 2014, Medigene focuses on personalised T cell immunotherapies.

The Group's main activities are described in note *I) „Segment reporting"* of these notes to the interim consolidated financial statements.

Medigene AG has been listed since June 2000 (German Stock Exchange: Regulated Market, Prime Standard; ISIN DE000A1X3W00; code MDG1).

B. ACCOUNTING AND VALUATION PRINCIPLES

Basic principles for the preparation of interim financial statements

As a parent company geared to the capital markets within the meaning of Article 4 of Regulation (EC) No. 1606/2002, Medigene AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU. These unaudited consolidated quarterly financial statements were prepared in accordance with IAS standard 34 „Interim Financial Reporting", which has been adopted by the EU.

The Company's Executive Board is of the opinion that these quarterly financial statements reflect all business transactions required to present the assets, financial and income situation at the end of the periods which ended on 31 March 2014 and 2013.

These interim financial statements do not include the full information required to prepare annual financial statements. Therefore, these interim financial statements should be read in connection with the consolidated financial statements for 2013.

These interim financial statements of Medigene AG were approved for publication by Medigene's Executive Board on 14 May 2014.

Financial risks

Since Medigene AG was founded in 1994, the Company has reported operating losses in almost every financial year, as expenses for research and development in the relevant years exceeded the corresponding revenue or gross profit. The future achievement of profitability depends on progress in terms of operations as well as Medigene's strategic decisions and is not yet secured.

Medigene's present cash position and operating cash flow may possibly be insufficient to cover the expected investment expenses and working capital that will be required in the foreseeable future, covering approximately 18 months, which implies that the going concern of the Company and the Group is endangered. The ability to raise additional funds depends on financial, economic and other factors which, in the majority of cases, cannot be influenced by the Company's management. These factors also include the results achieved as part of Medigene's research and development activities. Medigene may not always have sufficient funds under acceptable terms and conditions at its disposal when required. Should this be the case, Medigene may need to reduce its spending on research and development, production or marketing. On the basis of current liquidity planning, the Executive Board assumes that it will be fully financed at least until the second quarter of 2015. Financing beyond this period will require further external financial resources. At this time, the Executive Board considers it to be most

likely that these funds will be raised early enough. Possible sources of capital may be additional partnerships with pharmaceutical companies or capital measures.

Changes in accounting, valuation, and reporting principles

The accounting, valuation and reporting principles applied for these interim consolidated financial statements correspond to those applied by Medigene for the consolidated annual financial statements for 2013, with the exception of the new announcements explained below, which have been applied since 1 January 2014.

IFRS 10 *Consolidated Financial Statements*

IFRS 10 replaces the provisions of the previous IAS 27 *Consolidated and Separate Financial Statements* on group accounting and redefines the term „control". IFRS 10 had no impact on the consolidation of the Group's interests.

IFRS 11 *Joint Arrangements*

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and defines the term „joint control". The term „control" as used in this definition corresponds to the definition in IFRS 10. IFRS 11 had no impact on the accounting for the Company's existing cooperation, licensing and development agreements.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 describes the requirements in terms of disclosures about an entity's interests in subsidiaries, joint arrangements and associates. None of these disclosure requirements apply to abbreviated interim consolidated financial statements, unless significant events and business transactions occurring in the interim reporting period require disclosure. Consequently, the Group has made no such disclosures.

Group companies

In addition to the parent company, Medigene AG in Planegg/Martinsried, Germany, the Group includes wholly-owned subsidiary Medigene, Inc., San Diego, California, USA, which was acquired in 2001 and, since its acquisition in January 2014, wholly-owned subsidiary Trianta Immunotherapies GmbH (hereinafter referred to as „Trianta"), Munich, Germany. Medigene, Inc. holds 40.40% of the shares in Catherex, Inc., Philadelphia, Pennsylvania, USA, which is accounted for at equity as an associate.

This aside, Medigene AG held no other shares in affiliated companies, associates or joint ventures as at 31 March 2014. The financial statements of the companies consolidated have been prepared in accordance with standardised 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. NOTES TO THE INCOME STATEMENT

Revenue and other income

In the first three months of 2014, Medigene's total revenue rose by 86% to €2,430 k (Q1 2013: €1,309 k). Medigene achieved sales growth of 95% to €1,329 k (Q1 2013: €680 k) with the drug Veregen®. Revenue from Veregen® sales comprised royalties, revenue from product deliveries (supply chain) and milestone payments. Compared with the very strong previous year's quarter, royalties received in the first quarter of 2014 were down to €423 k (Q1 2013: €558 k). This was due to an overall weak US dermatology market while a strong increase in revenues was recorded in the remaining markets. At the same time, revenue from Veregen® supply chain to sales partners rose significantly to €226 k in the first quarter of 2014 (Q1 2013: €70 k) and milestone payments received from partner companies were up to €680 k (Q1 2013: €52 k), mainly attributable to a milestone payment received as part of the agreement signed with the new marketing partner Taurus Pharma GmbH.

In addition, Medigene's other operating income rose by 75% to €1,101 k (Q1 2013: €629 k). On the one hand, this included regular, non-cash income of €623 k from the transfer of rights to Medigene's former drug Eligard®, agreed with US financial investor Cowen Healthcare Royalty Partners in 2012 (Q1 2013: €623 k). On the other hand, the figure encompasses cost reimbursements which Medigene receives under the global EndoTAG®-1 partnership agreement signed with SynCore Bio-

technology in May 2013 for the development of this drug candidate that amounted to €441 k in the reporting period (Q1 2013: €0).

Cost of sales

The cost of sales amounted to €267 k in the first quarter of 2014 (Q1 2013: €223 k). This cost was incurred for the material costs and royalties for Veregen®.

Gross profit

Gross profit rose by 99% to €2,163 k in the first quarter of 2014 (Q1 2013: €1,086 k).

Selling, general and administrative expenses

Compared with the previous year's reporting period, selling, general and administrative expenses were up from €1,821 k (Q1 2013) to €2,210 k in the first quarter of 2014. This amount comprises selling expenses of €563 k (Q1 2013: €616 k) as well as general and administrative expenses of €1,647 k (Q1 2013: €1,205 k). General and administrative expenses increased due to one-off costs incurred in respect of the acquisition of Trianta Immunotherapies GmbH.

Research and development expenses

Research and development expenses decreased to €1,596 k in the first quarter of 2014 (Q1 2013: €1,753 k). The reduction in these expenses was mainly attributable to planned lower expenses for preclinical and clinical trials. In contrast, personnel expenses were up following the transfer of Trianta employees who joined Medigene.

D. NOTES TO THE BALANCE SHEET

Subscribed capital

The subscribed capital rose by €1,018 k from €9,872 k to €10,890 k as at 31 March 2014 as a result of the shares issued in connection with the Trianta acquisition. As at 31 March 2014, the subscribed capital was divided into 10,889,950 no-par registered shares, of which approximately 85% were in free float as at the reporting date.

Intangible assets

As at 31 March 2014, intangible assets amounted to €35,562 k. The increase in reported intangible assets compared with 31 December 2013 was due to the acquisition of Trianta on the one hand and to planned amortisation of patents and product licences on the other.

Financial assets

As at the reporting date, financial assets totalled €3,957 k. They essentially comprised the shares held in Immunocore Ltd., which were valued at fair value and amounted to €3,533 k as at 31 March 2014 (2013: €3,533 k). The shares in Immunocore Ltd. are classed as financial assets available for sale and included in level three of the hierarchy of fair values of financial instruments. The fair value of these shares was determined with the help of an external expert. This figure corresponds to the current fair value according to the best possible estimates of the Executive Board.

Investment in an associate

As at the reporting date, the investment in associated company Catherex, Inc. amounted to €2,450 k (2013: €2,513 k).

Current liabilities

Compared with 31 December 2013, current liabilities increased by €276 k from €5,092 k to €5,368 k as at 31 March 2014. This increase mainly resulted from the rise in trade accounts payable. Other financial liabilities comprise the €1,076 k short-term portion of the liabilities arising from the assignment of a 2% share of the Eligard® net sales to Cowen and the liability for future milestone payments to the previous Trianta shareholders totalling €454 k.

Non-current liabilities

Non-current liabilities comprise the long-term portion of the liabilities arising from the assignment of 2% of the Eligard® net sales to Cowen. This item amounted to €10,051 k as at the reporting date and will be amortised over the life of the Eligard® patent, which is approximately ten years. The amount includes liabilities with a term of one to five years (€5,693 k) and more than five years (€4,358 k). In addition, it includes deferred tax amounting to €2,251 k and a long-term portion of the liability for payments due to the previous Trianta shareholders related to future milestone achievements of €2,221 k.

E. BUSINESS COMBINATIONS

On 27 January 2014, Medigene AG announced the acquisition of Trianta Immunotherapies GmbH, a new company founded by Helmholtz Zentrum in Munich, Germany. As part of this acquisition, Medigene acquired 100% of the shares in Trianta. The previous shareholders of Trianta received 1,017,811 new Medigene shares issued, worth approx. €4 m, and will receive further payments in stages up to a maximum amount of €5.9 m upon achieving future milestones, either in the form of additional Medigene shares or in cash. Trianta has three highly innovative complementary immunotherapy platforms that complement each other and encompass programmes in clinical development for the treatment of different types of cancer.

Trianta has its registered office in Lochhamer Strasse 11, Planegg/Martinsried, Germany. As at 31 March 2014, the number of Trianta employees totalled 9. Additional members will be joining the team in the course of 2014. Prof. Dr. Dolores J. Schendel, Managing Director of Trianta, was appointed to the Executive Board of Medigene AG with responsibility for research and development with effect from 1 May 2014.

The Trianta acquisition is treated in accordance with IFRS 3 Business Combinations. In view of the still incomplete information about the fair value of the share of the consideration assigned (future milestone payments) and the fair value of the assets identified upon acquisition and the liabilities assumed, it was not possible to carry out a fine purchase price allocation.

The provisional estimate of the purchase price (assigned consideration) totalled €6,492 k and comprised the following: fair value of the shares issued (€3,817 k) and the liability for future milestone payments to the existing Trianta shareholders, which was valued at the provisional market price of €2,675 k in total. The fair value of the shares issued corresponds to the XETRA closing price (German Stock Exchange, Frankfurt) of Medigene's shares on the date of the acquisition, which was 27 January 2014. The liability vis-à-vis the existing Trianta shareholders, which may provisionally fall due in the period from 2014 to 2016, is linked to the further progress of the development projects conducted by Trianta and conditional on the achievement of specific milestones.

CONSIDERATION TRANSFERRED

IN € K

Shares issued at fair value		**3,817**
Number of shares issued	**1,017,811**	
Fair value per share (in €)	**3.75**	
Liability for future milestone payments at fair value (provisional)		**2,675**
Total consideration transferred (provisional)		**6,492**

The assets acquired and liabilities assumed from Trianta were identified on a provisional basis. On the acquisition date, they comprised the following: cash and cash equivalents of €21 k and intangible assets in connection with the development projects conducted by Trianta, which were valued at the estimated market price of €8,722 k, as well as deferred tax of €2,251 k.

ACQUIRED ASSETS IDENTIFIED AND TRIANTA LIABILITIES ASSUMED

IN € K

Current assets at fair value (cash and cash equivalents)	**21**
Intangible assets at fair value (provisional)	8,722
Deferred tax (provisional)	**-2,251**
Total acquired assets identified and liabilities assumed (provisional)	**6,492**

Since the purchase price allocation was not finalised at the time of preparing these interim consolidated financial statements, no goodwill was reported on the balance sheet. It is expected that the acquisition of this company will release many synergies, which will facilitate taking the Company's technologies and drug candidates through clinical development with the aim of improving the lives of critically ill patients.

The cost directly incurred for the acquisition of Trianta of €784 k was expensed and reported under general and administrative expenses. The cost of issuing shares totalling €58 k was directly offset in shareholders' equity.

ACTUAL CASH FLOW RESULTING FROM THE ACQUISITION

IN € K

Net cash acquired with Trianta (included in the cash flow from investing activities)	**21**
Cost directly incurred for the acquisition of Trianta[1] (included in the cash flow from operating activities)	**-784**
Transaction cost attributable to issuing shares (included in the cash flow from financing activities)	**-58**
Total cash outflow	**-821**

[1] Of this figure, €512 k was incurred in 2013.

Since the date of acquisition, Trianta had contributed €0 to revenue and €139 k to consolidated income before tax. Assuming that Trianta had already been included in the scope of consolidation on 1 January 2014, there would have been no additional influence on consolidated income.

The Company intends to sign a profit and loss transfer agreement with Trianta, in order to establish an affiliation for tax purposes. As soon as this affiliation is in place, deferred tax assets can be stated in relation to loss carried forward by Medigene AG up to the amount of the deferred tax liabilities assumed as part of the Trianta acquisition, provided that it is likely that taxable income will be available against which loss carried forward for tax purposes may be offset. The resultant deferred tax revenue would have to be reported with impact on the income statement in accordance with IAS 12.67, not however as part of the business combination.

F. SEGMENT REPORTING

Business units

The Group is organised into two main business units: „Marketed Products" and „Drug Candidates".

SEGMENT REPORTING BY BUSINESS UNITS

IN € K	MARKETED PRODUCTS	DRUG CANDIDATES	TOTAL SEGMENTS	RECON-CILIATION[1]	TOTAL
Q1 2014					
Revenue with external customers	1,329	0	1,329	0	1,329
Other income	627	474	1,101	0	1,101
Inter-segment sales[2]	0	0	0	0	0
Total revenue	**1,956**	**474**	**2,430**	**0**	**2,430**
Segment operating result[3]	**380**	**-2,023**	**-1,643**	**0**	**-1,643**
Depreciation and amortisation	0	-142	-142	-49	-191
Share of result of an associate	0	0	0	-58	-58
Assets					
Investment in an associate	0	0	0	2,450	2,450
Segment investments[4]	0	0	0	58	58
Segment assets[5]	**4,650**	**37,774**	**42,424**	**16,323**	**58,747**
Segment liabilities[6]	**0**	**324**	**324**	**20,429**	**20,753**
Q1 2013					
Revenue with external customers	680	0	680	0	680
Other income	627	0	627	2	629
Inter-segment sales[2]	0	0	0	0	0
Total revenue	**1,307**	**0**	**1,307**	**2**	**1,309**
Segment operation result[3]	**-103**	**-2,388**	**-2,491**	**3**	**-2,488**
Depreciation and amortisation	0	-149	-149	-43	-192
Share of result of an associate	0	0	0	-44	-44
Assets					
Investment in an associate	0	0	0	2,764	2,764
Segment investments[4]	0	0	0	4	4
Segment assets[5]	**3,954**	**29,467**	**33,421**	**24,844**	**58,265**
Segment liabilities[6]	**0**	**360**	**360**	**16,905**	**17,265**

[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 activity of its own.

[2] Inter-segment sales are eliminated for consolidation purposes.

[3] Segment operating result does not include any interest income (Q1 2014: €2 k; Q1 2013: €3 k), any interest expense (Q1 2014: €374 k; Q1 2013: €402 k), any foreign exchange gains/losses (Q1 2014: €29 k; Q1 2013: €-342 k), any share of loss of an associate (Q1 2014: €58 k; Q1 2013: €44 k).

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

[5] Segment assets under reconciliation include non-current assets (Q1 2014: €7,128 k; Q1 2013: €7,197 k), cash and cash equivalents (Q1 2014: €7,221 k; Q1 2013: €16,676 k) and other current assets (Q1 2014: €1,974 k; Q1 2013: €971 k).

[6] Segment liabilities under reconciliation include non-current liabilities (Q1 2014: €15,117 k; Q 12013: €12,523 k), trade accounts payable (Q1 2014: €5,312 k; Q1 2013: €4,380 k) and tax liabilities (Q1 2014: €0; Q1 2013: €2 k).

Revenue earned by the individual segments is generated by external business relationships.

Transfer prices between the business units and regions are determined on the basis of the usual market terms among third parties.

The segments are composed as follows:

Marketed products

→ Veregen® for the treatment of genital warts

Drug candidates & technologies

→ EndoTAG®-1 for the treatment of solid tumours
→ RhuDex®for the treatment of autoimmune diseases
→ AAVLP technology
→ Immunotherapies

G. OTHER NOTES

Related parties

The parties deemed to be related are entities and individuals who can be significantly influenced by the Company or can exert significant influence on the Company. Related parties are the Company's Executive Board and Supervisory Board as well as the associate Catherex, Inc. and partner company SynCore.

Dr. Frank Mathias, Chief Executive Officer of Medigene AG, and Peter Llewellyn-Davies, Chief Financial Officer of Medigene AG, were appointed to the Board of Directors of Catherex, Inc. Medigene, Inc. granted a fixed-rate loan to Catherex, Inc., which was increased to €270 k (2013: €242 k) in the reporting period.

Medigene AG realised R&D payments of €441k for EndoTAG®-1 from its partnership with SynCore (Q1 2013: €0). For Veregen®, Medigene AG received neither milestone payments nor revenue from supply chain activities in the first quarter of 2014 (Q1 2013: €0 and €0, respectively).

The remuneration and shareholdings of the Company's Executive Board and Supervisory Board members are itemised for each member of these boards under *H) „Executive Board and Supervisory Board".*

Contingent liabilities

For the contingent liabilities listed below, no accruals were recognised in liabilities, as the risk of their being utilized is deemed unlikely.

In 2004, Medigene concluded an agreement with the insolvency administrator of MBT (formerly „Munich Biotechnology") under which payments by Medigene to the insolvency administrator were agreed in the event of certain milestones being achieved. These included a milestone payment if a clinical Phase III trial would be initiated. In connection with signing an agreement with SynCore in July 2012, the Company has achieved a settlement with the insolvency administrator which stipulates that Medigene will no longer make milestone payments but instead must only transfer a minor percentage of the income generated with EndoTAG®-1. The total amount is therefore limited to up to €11 m. From the Company management's point of view, no accruals need to be recognised for this purpose at present, because the relevant payments will only be due following the achievement of specific events.

The Company leases office and laboratory facilities, office furnishings, laboratory equipment, and vehicles. These constitute operating leases, as the contractual agreement does not transfer any risks and rewards to the Group. The conditions, rental increase clauses and extension options of lease agreements vary.

The Group has a notice period of one month to three years for these lease agreements, depending on the contract.

H. EXECUTIVE BOARD AND SUPERVISORY BOARD

REMUNERATION, "DIRECTORS' HOLDINGS" AND NOTE ON SUBSCRIPTION RIGHTS

IN NUMBERS	REMUNERATION	SHARES		OPTIONS	
	31 MARCH 2014	**31 MARCH 2014**	31 DEC 2013	**31 MARCH 2014**	31 DEC 2013
Prof. Dr. Horst Domdey Chairman, Co-founder	**12**	**39,125**	39,125	**0**	0
Dave Lemus Vice Chairman of Supervisory Board	**11**	**0**	0	**0**	0
Dr. Yita Lee Supervisory Board member	**9**	**0**	0	**0**	0
Total Supervisory Board	**32**	**39,125**	**39,125**	**0**	**0**
Dr. Frank Mathias Chief Executive Officer[1)]	**152**	**1,499**	1,499	**49,375**	49,375
Peter Llewellyn-Davies Chief Financial Officer[1)]	**108**	**3,000**	3,000	**9,375**	9,375
Total Executive Board[1)]	**260**	**4,499**	**4,499**	**58,750**	**58,750**

[1)] The Executive Board remuneration comprises fixed remuneration, variable performance-related remuneration based on setting up accruals (without discounting) in the event of 100% payment and fringe benefits (pension expenses and vehicle leasing).

RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Planegg/Martinsried, 14 May 2014

The Executive Board

Dr. Frank Mathias Peter Llewellyn-Davies

FINANCIAL CALENDAR

7 August 2014
6-Months Report 2014
Analysts teleconference

14 August 2014
Annual General Meeting 2014
Munich, Germany

13 November 2014
9-Months Report 2014
Analysts teleconference

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This quarterly 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 behaviour 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,

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