



## MediGene's Pipeline of Innovative Anti-Tumor Drugs

| Products                              | Diseases                        | Clinical Phases |           |           |      | Approval | Commer-<br>cialization | Market<br>Potential <sup>1)</sup><br>(million €) |
|---------------------------------------|---------------------------------|-----------------|-----------|-----------|------|----------|------------------------|--|
|                                       |                                 | I               | II        | III       |      |          |                        |  |
| <b>Eligard®</b>                       | Prostate Cancer                 |                 |           |           |      |          | > 100 <sup>2)</sup>    |  |
| <b>Polyphenon® E Ointment</b>         | Genital Tumors                  |                 |           |           |      |          | > 100                  |  |
|                                       | Actinic Keratosis <sup>3)</sup> |                 |           |           |      |          | > 200                  |  |
| <b>EndoTAG-1</b>                      | Pancreatic Cancer               |                 |           |           |      |          | > 200                  |  |
|                                       | Prostate Cancer                 |                 |           |           |      |          | > 200                  |  |
| <b>Oncolytic HSV</b>                  | Liver Metastases                |                 |           |           |      |          | > 200                  |  |
|                                       | Brain Tumors (Glioblastoma)     |                 |           |           |      |          | > 300                  |  |
| <b>Chance of Reaching the Market:</b> |                                 | 10 – 30 %       | 40 – 60 % | 60 – 80 % | 90 % |          |                        |  |

<sup>1)</sup> Annually; maximum sales potential. MediGene will receive royalties on sales of products jointly developed or marketed with biotech or pharmaceuticals companies.

<sup>2)</sup> Marketing partnership with Astellas (formerly known as Yamanouchi)

<sup>3)</sup> Precursor of a specific type of skin cancer

## Contents

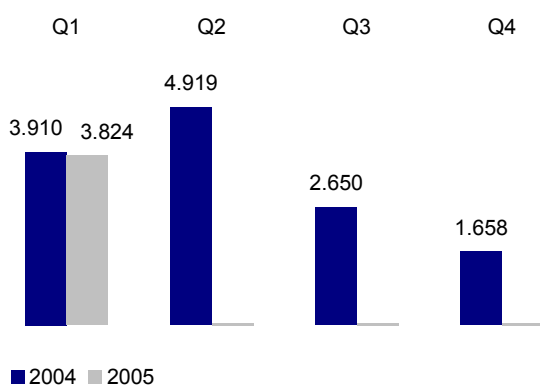
Key Figures **3** Our Share **4** Interim MD&A Q1-2005 **5** Interim Financial Statement **13**  
Selected Details on the Notes **17**

## Key Figures 3-Months Report 2005

|  |        | Q1-<br>2005 | Q1-<br>2004 | Change  |
|--|--------|-------------|-------------|---------|
| Total revenues                               | T€     | 3,824       | 3,910       | -2 %    |
| Cost of sales                                | T€     | 372         | 28          | >200 %  |
| R&D expenses                                 | T€     | 3,298       | 3,795       | -13 %   |
| Net loss from continued operations (EBIT)    | T€     | -1,260      | -1,311      | 4 %     |
| Personnel expenses from continued operations | T€     | 2,398       | 2,092       | 15 %    |
| Employees                                    | Number | 120         | 110         | 9 %     |
| Cash flow from operating activities          | T€     | -3,596      | 599         | >-200 % |
| Cash flow from investing activities          | T€     | -124        | -53         | -134 %  |
| Cash flow from financing activities          | T€     | 14          | 15,998      | >-200 % |
| Cash and cash equivalents at end of period   | T€     | 44,737      | 37,983      | 18 %    |
| Net loss per share from continued operations | €      | 0.05        | 0.10        | -50 %   |

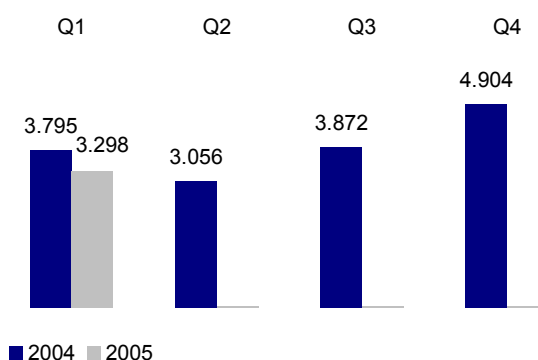
### Total Revenues

in T€



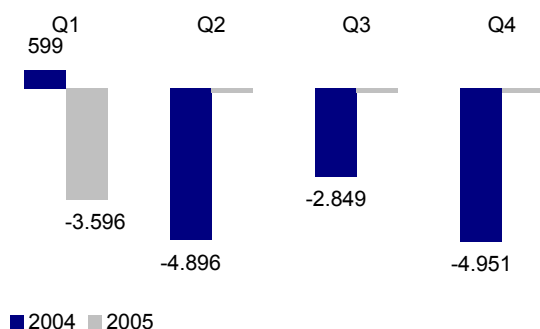
### R&D Expenses

in T€



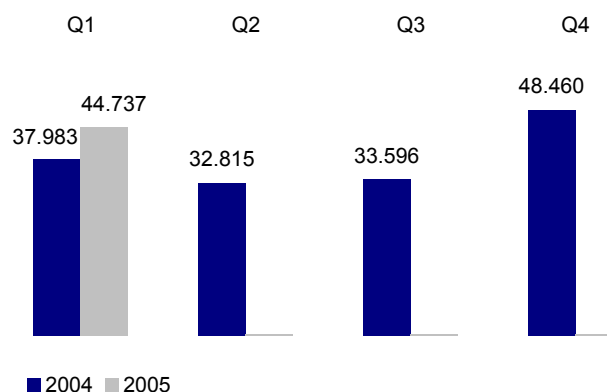
### Cash flow from Operating Activities

in T€



### Cash and Cash Equivalents

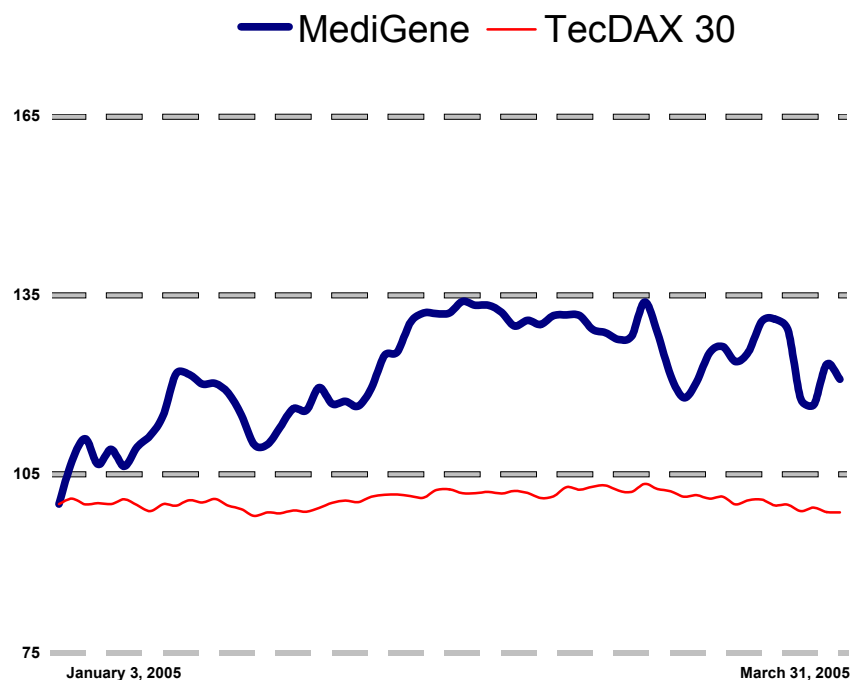
in T€



## Our Share

### The MediGene Share Price

(January 3, 2005 € 8.70 indexed to 100)



### Key Figures for the Share

|   |           | 3M-2005    | 3M-2004    |
|---|-----------|------------|------------|
| 3 months high                             | €         | 11.66      | 8.19       |
| 3 months low                              | €         | 8.70       | 6.06       |
| Price at beginning of the year            | €         | 8.70       | 6.06       |
| Average price since beginning of the year | €         | 10.62      | 6.76       |
| Closing price                             | €         | 10.37      | 7.85       |
| Number of shares (March 31)               |           | 18,535,514 | 13,474,032 |
| Average number of shares                  |           | 18,529,099 | 12,340,119 |
| Average market capitalization             | million € | 196.78     | 83.42      |
| Average daily trading volume              | in shares | 142,635    | 120,489    |

## Interim MD&A 3M-2005

- o Total revenues of 3.8 million € (Q1-2004: 3.9 million €)
- o Net loss 0.9 million € (Q1-2004: 1.5 million €)
- o Average monthly net cash burn rate in Q1-2005 of 1.3 million € (Q1-2004: 0.2 million € cash inflow)
- o Cash position 44.7 million € (2004: 38.0 Mio. €)
- o First time adoption of International Financial Reporting Standards (IFRS)

### PRELIMINARY NOTES

#### MediGene develops anti-cancer and anti-tumor drugs

MediGene's core competence lies in research into and development of novel approaches for the treatment of various cancer and tumor diseases. Thus MediGene focuses on indications of high medical need and great economic opportunities. Apart from the drug Eligard® which is already available on the market, R&D and technology contracts, payments received within cooperation agreements for the joint development and commercialization of products as well as product commercialization by MediGene represent potential sources of revenue.

Eligard® was launched on the German market in May 2004. In December 2004, MediGene obtained approval for Eligard® in 23 additional European countries (not including Great Britain) within the mutual recognition procedure. In the first quarter of 2005, MediGene received the first national approvals, enabling the company to prepare for commercialization in the respective countries. Eligard® is marketed by MediGene's partner Astellas Pharma Europe Ltd. (the former Yamanouchi Ltd.)

Concerning another drug candidate, Polyphenon® E Ointment, MediGene published positive results from two independent clinical phase III trials in the indication genital warts. Marketing authorization application shall be submitted to the American regulatory authorities in the third quarter 2005, and afterwards to the European authorities. In addition, MediGene is currently conducting a clinical phase II trial to examine the potential of this ointment in the indication actinic keratosis, a precursor of skin cancer. Publication of the results obtained in this trial is scheduled for the second quarter 2005.

Apart from that, the efficacy of oncolytic herpes simplex viruses (drug candidate NV1020) for the treatment of liver metastases from colorectal carcinoma is examined. A clinical phase I/II trial was initiated in September 2004. Completion of this trial is scheduled for 2006.

A clinical phase II trials in the indication pancreatic cancer is currently in preparation for the product candidate EndoTAG-1 which was acquired in August 2004. This trial is scheduled for initiation in the second half of 2005.

## CONSOLIDATED INCOME STATEMENT

For the first time this quarterly report has been prepared pursuant to International Accounting Standards (IFRS). For detailed explanations of the quarterly statements, see Notes (p. 17), and the consolidated statements of 2003 and 2004. Except for the adjustments outlined, the transition to IFRS with respect to accounting and valuation methods does not lead to major deviations of the consolidated financial statements prepared according to US-GAAP.

### Total Revenues

Total revenues of 3,824 T€ have remained almost unchanged compared to last year's reporting period (Q1-2004: 3,910 T€). These revenues were generated solely by the commercialization of the drug Eligard<sup>®</sup> which has been marketed in Germany by MediGene's partner Astellas Pharma Europe Ltd. since May 2004. In addition to milestone payments due upon further approvals in Europe, and an upfront payment partially recognized as revenue, proceeds from product sales and licenses have been posted.

| in T€  | Q1-2005<br>unaudited | Q1-2004<br>unaudited | Change      |
|--|----------------------|----------------------|-------------|
| <b>Total revenues</b>                        | <b>3,824</b>         | <b>3,910</b>         | <b>-2 %</b> |
| Cost of sales                                | 372                  | 28                   | >200 %      |
| <b>Gross profit</b>                          | <b>3,452</b>         | <b>3,882</b>         | <b>-11%</b> |
| General, administrative and selling expenses | 1,414                | 1,398                | 1 %         |
| Research and development expenses            | 3,298                | 3,795                | 13 %        |
| <b>EBIT</b>                                  | <b>-1,260</b>        | <b>-1,311</b>        | <b>4 %</b>  |
| <b>Net loss from continued operations</b>    | <b>-947</b>          | <b>-1,222</b>        | <b>23 %</b> |
| Result from discontinued operations          | -1                   | -281                 | 100 %       |
| <b>Net loss</b>                              | <b>-948</b>          | <b>-1,503</b>        | <b>37 %</b> |

### Cost of Sales

Cost of sales for Eligard<sup>®</sup> amounted to 372 T€. Costs were allocated to the purchase of the drug and to royalties paid to QLT Inc.. Since Eligard<sup>®</sup> was not launched until May 2004, the cost accruing in last year's reporting period was significantly lower (Q1-2004: 28 T€). First quarter revenues primarily result from milestone payments and the partial recognition of an upfront payment for which no cost of sales incurred.

### Gross Profit

Gross profit decreased by 11% to 3,452 T€ (Q1-2004: 3,882 T€). This decline is mainly due to an increase in cost of sales and a reduction in the portion of milestone payments in total revenues.

### General, Administrative and Selling Expenses

Compared to last year's reporting period, general, administrative and selling expenses remained almost unchanged, i.e. 1,414 T€ (Q1-2004: 1,398 T€).

### R&D Expenses

In the first quarter 2005, total R&D expenses were reduced by 13 % to 3,298 T€ (Q1-2004: 3,795 T€). This decrease is mainly due to the change in the Polyphenon<sup>®</sup> E Ointment development stage. This ointment was in two clinical phase III trials during the first quarter of last year.

## Depreciation

Total depreciation remained almost unchanged, amounting to 356 T€ (Q1-2004: 361 T€). Since August 2004, depreciation also includes depreciation of the assets acquired from Munich Biotech AG. Depreciation of LARNAX GmbH is reported under discontinued operations.

Depreciation and Amortization of tangible and intangible assets will not be reported separately, but allocated instead to selling, general and administration expenses, and to research and development expenses.

| <b>Depreciation</b>                    |                      |                      |             |
|--|----------------------|----------------------|-------------|
| in T€                                  | Q1-2005<br>unaudited | Q1-2004<br>unaudited | Change      |
| fixed assets including intangibles     | 307                  | 145                  | 112 %       |
| capital lease                          | 49                   | 38                   | 29 %        |
| <b>Total from continued operations</b> | <b>356</b>           | <b>183</b>           | <b>95 %</b> |
| Discontinued operations                | 0                    | 178                  | -100 %      |
| <b>Total</b>                           | <b>356</b>           | <b>361</b>           | <b>-1 %</b> |

## EBIT

Operating result before interest and tax improved by 4 % to -1,260 T€ in the first quarter 2005 (Q1-2004: -1,311 T€).

## Financial Result

The financial result increased by 252 % to 313 T€. Apart from higher interest income resulting from a higher amount invested, foreign currency exchange gains mainly from the exchange of Atrix shares for QLT shares also contributed to this.

| <b>Financial Result</b>                   |                      |                      |                  |
|---|----------------------|----------------------|------------------|
| in T€                                     | Q1-2005<br>unaudited | Q1-2004<br>unaudited | Change           |
| Interest income                           | 226                  | 99                   | 128 %            |
| Interest expenses                         | -38                  | -8                   | >200 %           |
| Foreign currency exchange<br>gains/losses | 125                  | -2                   | >200 %           |
| <b>Total</b>                              | <b>313</b>           | <b>89</b>            | <b>&gt;200 %</b> |

## 3-Months Loss

Compared to last year's reporting period, the net loss was reduced by 37 % to -948 T€ (Q1-2004: -1,503 T€). This improved result is mainly due to the reduction in R&D expenses and the improvement in the financial result.

## Loss per Share

In the first three months of the financial year, the loss per share from continued operations was reduced by 50 % from -0.10 € (weighted average number of shares 18,529,099) to -0.05 € (weighted average number of shares: 12,340,119).

The diluted net loss as of reporting date corresponds to the actual loss, since the conversion of common stock equivalents would have an anti-dilutive effect.

## SEGMENT REPORTING

During the reporting period, MediGene's business activities were focused on the development of anti-cancer and anti-tumor drugs. These activities are divided into the specialty pharma and biopharma segments, as well as an unallocated segment. The specialty pharma segment comprises the drug Eligard® and the product candidate Polyphenon® E Ointment. The biopharma segment includes MediGene's EndoTAG and the oncolytic herpes simplex viruses technology, as well as the product candidates EndoTAG-1, NV1020, and G207 emanating from these technologies.

### Segment reporting by market segments

| in T€  | Specialty pharma | Bio-pharma    | Unallocated   | Total         |
|--|------------------|---------------|---------------|---------------|
| <b>Q1-2005</b>                               |                  |               |               |               |
| <b>Total revenues</b>                        | <b>3,813</b>     | <b>0</b>      | <b>10</b>     | <b>3,823</b>  |
| Cost of sales                                | 372              | 0             | 0             | 372           |
| <b>Gross profit</b>                          | <b>3,441</b>     | <b>0</b>      | <b>10</b>     | <b>3,451</b>  |
| General, administrative and selling expenses | 2                | 0             | 1,412         | 1,414         |
| Research and development expenses            | 976              | 2,321         | 0             | 3,298         |
| <b>EBIT</b>                                  | <b>2,463</b>     | <b>-2,321</b> | <b>-1,402</b> | <b>-1,260</b> |
| Employees                                    | 25               | 62            | 33            | 120           |
| Investments*                                 | 0                | 93            | 17            | 110           |
| <b>Q1-2004</b>                               |                  |               |               |               |
| <b>Total revenues</b>                        | <b>3,860</b>     | <b>23</b>     | <b>27</b>     | <b>3,882</b>  |
| Cost of sales                                | 28               | 0             | 0             | 28            |
| <b>Gross profit</b>                          | <b>3,832</b>     | <b>23</b>     | <b>27</b>     | <b>3,882</b>  |
| General, administrative and selling expenses | 31               | 0             | 1,367         | 1,398         |
| Research and development expenses            | 1,857            | 1,938         | 0             | 3,795         |
| <b>EBIT</b>                                  | <b>1,944</b>     | <b>-1,915</b> | <b>-1,340</b> | <b>-1,311</b> |
| Employees                                    | 21               | 54            | 35            | 110           |
| Investments*                                 | 0                | 43            | 10            | 53            |

\* Investments also include finance lease investments



## ASSETS POSITION

### Cash Position 44.7 million €; Equity Ratio 89 %

Compared with the closing date December 31, 2004, the cash position decreased by 8 % to 44,737 T€. The equity ratio increased to 89 %, partially due to the continued repayment of a loan from Aventis.

#### Changes in assets and capital structure

| in T€                                       | March 31,<br>2005 | December 31,<br>2004 | Change      |
|---|-------------------|----------------------|-------------|
| <b>Assets</b>                               |                   |                      |             |
| Long-term investments                       | 2,454             | 2,894                | -15 %       |
| Goodwill                                    | 9,226             | 9,226                | 0 %         |
| Fixed assets                                | 8,360             | 8,585                | -3 %        |
| Cash and cash equivalents                   | 44,737            | 48,460               | -8 %        |
| Other current assets                        | 3,497             | 3,729                | -6 %        |
| <b>Total assets</b>                         | <b>68,274</b>     | <b>72,894</b>        | <b>-6 %</b> |
| <b>Liabilities and shareholders' equity</b> |                   |                      |             |
| Shareholders' equity                        | 60,474            | 61,711               | -2 %        |
| Long-term liabilities                       | 1,856             | 1,880                | -1 %        |
| Current liabilities                         | 5,944             | 9,303                | -36 %       |
| <b>Total liabilities</b>                    | <b>68,274</b>     | <b>72,894</b>        | <b>-6 %</b> |
| <b>Liquidity cover ratio</b>                | <b>66 %</b>       | <b>66 %</b>          | <b>0 %</b>  |
| <b>Equity ratio</b>                         | <b>89 %</b>       | <b>85 %</b>          | <b>4 %</b>  |

## Financial position

### Cash flow from operating activities

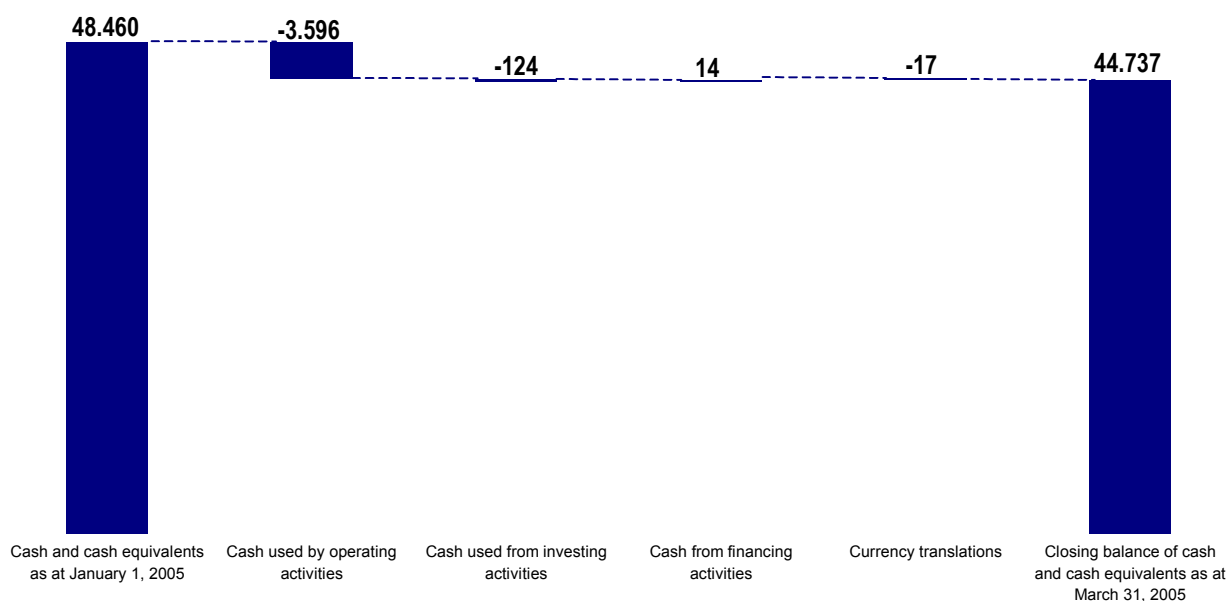
In the first three months of 2005, cash flow from operating activities was -3,596 T€ (Q1-2004: cash inflow of 599 T€). The difference between net loss (948 T€) and cash flow mainly results from repayment of a loan from Aventis, and the cash-neutral recognition of deferred revenues affecting net income. This deferred income affects the still unrealized portion of the upfront payment of 4,000 T€ which MediGene had received in the first quarter of 2004 upon conclusion of the Eligard<sup>®</sup> marketing partnership with Astellas Pharma Europe Ltd. The pro-rata recognition of deferred revenues resulted from the approval for Eligard<sup>®</sup> received in additional European countries.

As of closing date March 31, 2005, cash and cash equivalents amounted to 44,737 T€. MediGene is using cash and cash equivalents available for the development of its drug candidates.

### Monthly Net Cash Burn Rate

According to the consolidated cash flow statements, the net cash burn rate from operating activities for Q1-2005 (net cash used during the reporting period) amounts to -3,813 T€ (Q1-2004: 462 T€), and a monthly average rate of -1,271 T€ (Q1-2004: 154 T€). Proceeds from capital increases, stock options and convertible bonds and proceeds from acquisitions are not considered.

## Development of cash and cash equivalents Q1-2005



## Human Resources

Due to the recruitment of new employees in the field of EndoTAG technology (biopharma segment), headcount at our headquarters in Martinsried has increased compared to last year's reporting period.

### Number of employees as of closing date March 31, 2005, and December 31, 2004

|  | Q1-2005    | Q1-2004    | Y-2004     |
|--|------------|------------|------------|
| MediGene AG                            | 112        | 94         | 108        |
| MediGene, Inc.                         | 8          | 16         | 9          |
| <b>Total from continued operations</b> | <b>120</b> | <b>110</b> | <b>117</b> |
| Discontinued operations                | 0          | 2          | 0          |
| <b>Total</b>                           | <b>120</b> | <b>112</b> | <b>117</b> |

### Personnel expenses

| in T€                                  | Q1-2005      | Q1-2004      | Change      |
|--|--------------|--------------|-------------|
| <b>Total from continued operations</b> | <b>2,398</b> | <b>2,092</b> | <b>15 %</b> |
| Discontinued operations                | 0            | 39           | -100 %      |
| <b>Total</b>                           | <b>2,398</b> | <b>2,131</b> | <b>13 %</b> |

## **Risk Report**

### **Legal disputes**

Following the market launch of Eligard<sup>®</sup>, Takeda Chemical Industries, Takeda Pharma GmbH and Wako Pure Chemical Industries (Takeda/Wako) sued the partners MediGene AG and Yamanouchi Pharma GmbH (renamed Astellas Pharma Europe Ltd. after the merger with Fujisawa) in summer 2004 for alleged patent infringement before the Duesseldorf district court. In this suit they argue that the commercialization of MediGene's and Astella's drug Eligard<sup>®</sup> infringes specific claims of one of the plaintiffs' patents. Prior to that, MediGene had already filed an action for invalidity of the contested patent before the Federal Patent Tribunal in Germany, whereupon all claims potentially relevant for Eligard<sup>®</sup> were declared invalid on April 20, 2005. In addition, parallel patent infringement proceedings are ongoing in the USA. MediGene's supplier and licensor QLT USA, Inc. and the US marketing partner of QLT USA, Inc., Sanofi-Synthelabo Inc. have been sued for patent infringement by Takeda Abbott Pharmaceutical Product Inc., Takeda Chemical Industries, Ltd und Wako Pure Chemical Industries, Ltd.

### **Major Events Since End of Period under Review**

No major changes to the state of business have occurred up to April 30, 2005.

## Forecast

### **Forecast for the year has been confirmed: reduction of net loss - cash 38 million € at the end of 2005**

In 2005, MediGene expects to raise revenues to approximately 20 million €. At the same time MediGene is planning to further improve the result; the net loss for the year 2005 should be less than 10 million €. The cash position at the end of the year is expected to be approximately 38 million €.

### **Market launch of Eligard® planned in additional European countries**

In December 2004, the mutual recognition procedure for approval of the one-month and three-months products of Eligard® was successfully completed in 23 European countries (not including Great Britain). The first national approvals have already been granted during the reporting period. Therefore MediGene expects the successive approval and market launch in other European countries.

### **Polyphenon® E Ointment – completion of the clinical phase II trial in actinic keratosis expected in the second quarter 2005**

End of October 2004, MediGene reported the completion of patient recruitment for a clinical phase II trial of the Polyphenon® E Ointment for the treatment of the skin disease actinic keratosis (precursor of skin cancer). A total of over 60 patients was admitted to the trial which investigates efficacy and tolerability of Polyphenon® E Ointment in the indication actinic keratosis. The sales potential of Polyphenon® E Ointment in this indication is estimated at not less than 200 million € annually, provided that the multi-stage development phase and marketing authorization procedure are successful.

### **Polyphenon® E Ointment – submission of marketing authorization application to the US authorities and conclusion of a marketing partnership planned**

MediGene is currently compiling marketing authorization application for the Polyphenon® E Ointment and schedules to submit it to the American regulatory authorities in the second half of the year 2005, and afterwards to the European authorities. Moreover, a marketing partnership for the Polyphenon® E Ointment should be concluded by the end of the year 2005.

Polyphenon® E Ointment is developed for the treatment of benign tumors of the genital tract, so-called genital warts. In March and December 2004, respectively, two clinical phase III trials with more than 500 patients each participating in the USA and in Europe were completed with positive results.

### **EndoTAG-1 - clinical development program resumed in phase II**

At present, a clinical phase II trial of EndoTAG-1 in the indication pancreatic cancer is in preparation. The first trial is to be initiated in the second half of 2005. The market potential for this indication is expected to reach more than 200 million €.

## Consolidated Balance Sheet

of MediGene AG as of March 31, 2005, and December 31, 2004

| in T€  | March 31,<br>2005<br>unaudited | December 31,<br>2004<br>unaudited |
|--|--------------------------------|-----------------------------------|
| <b>Assets</b>                                      |                                |                                   |
| <b>A. Long-term assets</b>                         |                                |                                   |
| I. Property, plant & equipment                     | 1,458                          | 1,565                             |
| II. Intangible assets                              | 6,902                          | 7,020                             |
| III. Goodwill                                      | 9,226                          | 9,226                             |
| IV. Investments                                    | 2,321                          | 2,761                             |
| V. Other assets                                    | 133                            | 133                               |
| <b>Total long-term assets</b>                      | <b>20,040</b>                  | <b>20,705</b>                     |
| <b>B. Current assets</b>                           |                                |                                   |
| I. Inventories                                     | 432                            | 0                                 |
| II. Accounts receivable                            | 57                             | 115                               |
| III. Cash & cash equivalents                       | 44,737                         | 48,460                            |
| IV. Other current assets                           | 3,008                          | 3,614                             |
| <b>Total current assets</b>                        | <b>48,234</b>                  | <b>52,189</b>                     |
| <b>Total assets</b>                                | <b>68,274</b>                  | <b>72,894</b>                     |
| <b>Liabilities and shareholders' equity in T€</b>  |                                |                                   |
| <b>A. Shareholders' equity</b>                     |                                |                                   |
| I. Share capital                                   | 18,536                         | 18,523                            |
| Number of shares issued and outstanding:           |                                |                                   |
| December 31, 2004: 18,522,684                      |                                |                                   |
| March 31, 2005: 18,535,514                         |                                |                                   |
| II. Additional paid-in capital                     | 257,032                        | 256,882                           |
| III. Accumulated deficit                           | -214,612                       | -213,665                          |
| IV. Net income recognized directly in equity       | -482                           | -29                               |
| <b>Total shareholders' equity</b>                  | <b>60,474</b>                  | <b>61,711</b>                     |
| <b>B. Long-term liabilities</b>                    |                                |                                   |
| I. Long-term debt less current portion             | 1,686                          | 1,674                             |
| II. Other long-term liabilities                    | 60                             | 55                                |
| III. Capital lease obligation less current portion | 74                             | 115                               |
| IV. Pension accrual                                | 36                             | 36                                |
| <b>Total long-term liabilities</b>                 | <b>1,856</b>                   | <b>1,880</b>                      |
| <b>C. Current liabilities</b>                      |                                |                                   |
| I. Trade accounts payable                          | 1,234                          | 618                               |
| II. Other current liabilities                      | 1,511                          | 3,463                             |
| III. Current portion of capital lease obligation   | 235                            | 269                               |
| IV. Accruals                                       | 2,297                          | 2,953                             |
| V. Deferred income                                 | 667                            | 2,000                             |
| <b>Total short-term liabilities</b>                | <b>5,944</b>                   | <b>9,303</b>                      |
| <b>Total liabilities and shareholders' equity</b>  | <b>68,274</b>                  | <b>72,894</b>                     |

IRFS

Totals may vary due to rounding

## Consolidated Income Statements

of MediGene AG for the periods from January 1 to March 31, 2005, and 2004

| in T€   | Q1-2005<br>unaudited | Q1-2004<br>unaudited |
|---|----------------------|----------------------|
| 1. Product sales  | 3,762                | 3,857                |
| 2. Other operating income   | 62                   | 53                   |
| <b>3. Total revenues</b>  | <b>3,824</b>         | <b>3,910</b>         |
| 4. Cost of sales  | 372                  | 28                   |
| <b>5. Gross profit</b>  | <b>3,452</b>         | <b>3,882</b>         |
| 6. Selling expenses   | 229                  | 299                  |
| 7. General and administrative expenses                                  | 1,185                | 1,099                |
| 8. Research and development expenses                                    | 3,298                | 3,795                |
| <b>9. Operating loss</b>  | <b>-1,260</b>        | <b>-1,311</b>        |
| 10. Interest income and expenditures                                    | 188                  | 91                   |
| 11. Foreign currency exchange gains/losses                              | 125                  | -2                   |
| <b>12. Loss before income tax</b>                                       | <b>-947</b>          | <b>-1,222</b>        |
| 13. Tax   | 0                    | 0                    |
| <b>14. Net loss from continued operations</b>                           | <b>-947</b>          | <b>-1,222</b>        |
| 15. Result from discontinued operations                                 | -1                   | -281                 |
| <b>16. Net loss for the period</b>                                      | <b>-948</b>          | <b>-1,503</b>        |
| <b>Per share data in €:</b>   |                      |                      |
| Result from continued operations („actual“ and „fully diluted“)         | -0.05                | -0.10                |
| Result including discontinued operations („actual“ and „fully diluted“) | -0.05                | -0.12                |
| Weighted average number of shares outstanding                           | 18,529,099           | 12,340,119           |

The number of shares used in calculating the diluted net loss per share is the same as used in calculating the basic net loss per share since conversion of common stock equivalents would have an anti-dilutive effect. The number of potentially dilutive shares related to options and convertible bonds that could dilute basic earnings per share in the future was 919,309 as of March 31, 2005, and 915,720 as of March 31, 2004.

IRFS

Totals may vary due to rounding

## Consolidated Changes in Shareholders' Equity

of MediGene AG for the periods from January 1, 2004, until March 31, 2005

|  | Shares            | Share capital | Capital reserves | Accumulated losses | Net income directly recognized in equity | Total shareholders' equity |
|--|-------------------|---------------|------------------|--------------------|--|----------------------------|
|  | No.               | T€            | T€               | T€                 | T€                                       | T€                         |
| <b>Balance January 1, 2005 audited (US-GAAP)</b> | <b>18,522,684</b> | <b>18,523</b> | <b>256,411</b>   | <b>-213,248</b>    | <b>-1,003</b>                            | <b>61,683</b>              |
| IFRS adjustment                                  |                   |               | 471              | -1,416             | 975                                      | 30                         |
| <b>Balance January 1, 2005 unaudited (IFRS)</b>  | <b>18,522,684</b> | <b>18,523</b> | <b>256,882</b>   | <b>-213,664</b>    | <b>-28</b>                               | <b>61,713</b>              |
| Net loss for the period                          |                   |               |                  | -948               |  | -948                       |
| Unrealized loss from QLT Inc. shares             |                   |               |                  |                    | -441                                     | -441                       |
| Currency translation adjustments                 |                   |               |                  |                    | -13                                      | -13                        |
| <b>Comprehensive income</b>                      |                   |               |                  |                    |  | <b>-1,402</b>              |
| Capital increase                                 |                   |               |                  |                    |  | 0                          |
| Exercised options/bonds                          | 12,830            | 13            | 65               |                    |  | 78                         |
| Expenses on new options/bonds                    |                   |               | 85               |                    |  | 85                         |
| <b>Balance March 31, 2005 unaudited</b>          | <b>18,535,514</b> | <b>18,536</b> | <b>257,032</b>   | <b>-214,612</b>    | <b>-482</b>                              | <b>60,474</b>              |
| <b>Balance January 1, 2004 audited (US-GAAP)</b> | <b>11,206,205</b> | <b>11,206</b> | <b>218,177</b>   | <b>-199,942</b>    | <b>-221</b>                              | <b>29,220</b>              |
| IFRS adjustment                                  |                   |               | 110              | -1,057             | 975                                      | 28                         |
| <b>Balance January 1, 2004 unaudited (IFRS)</b>  | <b>12,206,205</b> | <b>11,206</b> | <b>218,287</b>   | <b>-200,999</b>    | <b>754</b>                               | <b>29,248</b>              |
| Net loss for the period                          |                   |               |                  | -1,504             |  | -1,504                     |
| Unrealized gain from QLT Inc. shares             |                   |               |                  |                    | 425                                      | 425                        |
| Currency translation adjustments                 |                   |               |                  |                    | 1  | 1                          |
| <b>Comprehensive income</b>                      |                   |               |                  |                    |  | <b>-1,078</b>              |
| Capital increase                                 | 2,245,670         | 2,246         | 13,246           |                    |  | 15,492                     |
| Capital increase expenses                        |                   |               |                  | -861               |  | -861                       |
| Exercised options/bonds                          | 22,157            | 22            | 46               |                    |  | 68                         |
| Expenses on new options/bonds                    |                   |               | 95               |                    |  | 95                         |
| <b>Balance March 31, 2004 unaudited</b>          | <b>13,474,032</b> | <b>13,474</b> | <b>230,813</b>   | <b>-202,503</b>    | <b>1,180</b>                             | <b>42,964</b>              |

According to IFRS  
Totals may vary due to rounding

## Consolidated Cash Flow Statements

of MediGene AG for the periods from January 1 to March 31, 2004, and 2005

| in T€  | Q1-2005<br>unaudited | Q1-2004<br>unaudited |
|--|----------------------|----------------------|
| <b>Cash flow from operating activities</b>                                       |                      |                      |
| Net loss for the period (before and after tax)                                   | -948                 | -1,503               |
| <b>Adjustments to reconcile net loss with cash used in operating activities:</b> |                      |                      |
| Expenses on new options/bonds  | 85                   | 94                   |
| Depreciation   | 356                  | 361                  |
| Losses on sales of property, plant, & equipment                                  | -2                   | 0                    |
| <b>Changes in:</b>   |                      |                      |
| Inventories  | -432                 | 423                  |
| Other assets   | 664                  | 80                   |
| Trade accounts payable   | -488                 | -483                 |
| Accruals   | -655                 | -672                 |
| Other liabilities and deferred income  | -2,176               | 3,145                |
| <b>Net cash used by operating activities</b>                                     | <b>-3,596</b>        | <b>599</b>           |
| <b>Cash flow from investing activities</b>                                       |                      |                      |
| Purchases of property, plant, & equipment  | -126                 | -53                  |
| Sales of property, plant, & equipment  | 2                    | 0                    |
| <b>Net cash from investing activities</b>  | <b>-124</b>          | <b>-53</b>           |
| <b>Cash from financing activities</b>  |                      |                      |
| Net proceeds from capital increase   | 0                    | 14,409               |
| Proceeds from stock options  | 77                   | 68                   |
| Repayments of/proceeds from loans  | 13                   | 1,600                |
| Principal payments under finance lease obligations                               | -76                  | -79                  |
| <b>Net cash from financing activities</b>  | <b>14</b>            | <b>15,998</b>        |
| Currency translation   | -17                  | -5                   |
| <b>Increase/decrease in cash and cash equivalents</b>                            | <b>-3,723</b>        | <b>16,539</b>        |
| Cash and cash equivalents at beginning of period                                 | 48,460               | 21,444               |
| <b>Cash and cash equivalents at end of period</b>                                | <b>44,737</b>        | <b>37,983</b>        |

### Supplementary schedule of non-cash financing activities:

Like in the reference period last year, no new leasing obligations for new laboratory and office equipment were incurred during the first quarter 2005.

Cash expenditure for interest in the first quarter 2005 was 39 T€, and 7 T€ in last year's reporting period.

According to IFRS

Totals may vary due to rounding



## Selected Details on the Notes

These unaudited consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS) for the first time. It is the Management Board's conviction that the quarterly financial statements on hand reflect all adjustments required for the presentation of the assets, financial and income situation at the end of the periods that expired in March 2004, and 2005.

The quarterly financial statements on hand should be read in connection with the annual financial statements for 2003 and 2004.

Except for the adjustments outlined below, the first-time adoption of IFRS does not lead to any major adjustments when compared to the consolidated financial statements under US GAAP as of December 31, 2004.

### A) Accounting and Valuation Principles

Since January 1, 2005, International Financial Reporting Standards are mandatory, in compliance with EU ordinance. The basic rule of IFRS 1 requires the complete retrospective implementation of all standards and interpretations applicable as of closing date of the first financial statements according to IFRS.

#### **First-time adoption of the International Financial Reporting Standards (IFRS)**

The consolidated financial statements of MediGene will be prepared according to IFRS at the reporting date December 31, 2005, for the first time. The transition from US GAAP to IFRS was conducted according to IFRS 1, First-time Adoption of International Financial Reporting Standards. Therefore, MediGene fully applies the standards mandatory as of December 31, 2005, in the quarterly financial statements on hand.

The consolidated financial statements were prepared according to US GAAP at the reporting date December 31, 2004, for the last time. Differences in accounting, valuation and consolidation methods between US GAAP and IFRS were adjusted according to IFRS. This applies to both reporting and comparing periods.

Adjustments and explanations required by IFRS 1 accounting for the changes in shareholders' equity and the consolidated financial statements are presented in note C – G.

As of the transition date January 1, 2004 MediGene chose the following IFRS 1 optional exemptions:

#### *Business combinations*

In 2001, MediGene acquired a company. The management decided to make use of the optional exemption of IFRS 1 concerning business combinations. Therefore previous accounting for business combinations prior to the transition date (January 1, 2004) will not be adjusted.

#### *Foreign currency translation differences*

IFRS 1 allows the prospective application of IAS 21 ("The Effects of Changes In Foreign Exchange Rates"). Hence, all currency gains and losses accrued under US GAAP prior to the transition date will be reclassified. Differences from currency translations after the transition date have to be recognized separately for each subsidiary abroad.

#### *Compound financial instruments*

The sub-division of compound financial instruments into an equity and a debt component was made only insofar as the debt component was still in existence at the transition date (January 1, 2004). These financial

instruments will be reported according to IAS 32, and IAS 39, respectively: The equity element is calculated as the difference between proceeds and the fair value of future payment obligations (debt component).

#### *Share-based compensation*

Equity compensation such as stock options and convertible bonds granted to employees will be reported according to IFRS 2. Equity instrument issued prior to 2003 are not recognized, as those instruments have become non-forfeitable as of January 1, 2005. The valuation of these instruments is based on a suitable option-pricing model which takes into account, among others, blocking periods, vesting periods, hurdle rates, volatility of the underlying share price and risk-free interest rates.

#### *Other options*

According to IFRS 1, no further exemptions were applied for the transition from US GAAP to IFRS.

#### *Mandatory exemptions*

The application of mandatory exemptions of IFRS 1 did not lead to any adjustments.

The effects of the exemptions applied are described in paragraphs C –G.

## **B) Consolidation principles**

In addition to the financial statements of MediGene AG Martinsried, group accounts include the statements of the wholly-owned subsidiary MediGene, Inc., San Diego, of LARNAX GmbH, Martinsried since March 31, 2003, and, as of August 13, 2004, MediGene Oncology GmbH, Martinsried. As per December 31, 2003, LARNAX GmbH discontinued its business operations. As per March 31, 2005, MediGene AG owned no other stakes in affiliated companies, associated companies or partnerships.

The companies included in the consolidation have applied uniform accounting and valuation methods.

All intercompany receivables and payables, revenues, expenses and income as well as interim results of the companies consolidated were eliminated during consolidation. Interim results from intracompany deliveries and services are deducted if realized by services to third parties.

## **C) IFRS adjustments and comments on the consolidated income statements (p. 21-22)**

#### *Share-based compensation*

Equity compensation such as stock options and convertible bonds granted to employees will be reported according to IFRS 2. Equity instruments issued prior to 2003 are not recognized. The valuation of these instruments is based on a suitable option-pricing model. The valuation of options granted in 2004 is based on the following assumptions and terms of the underlying contracts: blocking period of 2 years, vesting period of 4 years, hurdle rate of 120 % referring to the underlying share price, expected volatility of 106 % and a risk-free interest rate of 5.65 %, as well as an expected dividend payment 0 €.

In 2004, expenses for share-based compensation amounted to a total of 360 T€, which are allocated as follows: 127 T€ from options issued in 2003, 215 T€ from options issued in 2004, and 18 T€ paid for interest of convertible bonds. For the first quarter 2004, expenses were 93 T€, of which 32 T€ allocated to options issued in 2003, 53 T€ to options issued in 2004, and 8 T€ paid for interest of convertible bonds.

### *Depreciation intangibles and fixed assets*

Depreciation and Amortization of tangible and intangible assets will not be reported separately, but instead be allocated to expenses for Selling, General and Administration as well as to Research and Development.

## **D) IFRS adjustments and comments on the balance sheet (p. 24-26)**

### *Capital reserves*

As per December 31, 2003, capital reserves amounted to 218,177 T€ according to US GAAP. According to IFRS, the amount rose by 111 T€ to 218,288 T€ as per January 1, 2004.

As per December 31, 2004, capital reserves amounted to 256,411 T€ according to US GAAP. According to IFRS, the amount rose by 471 T€ to 256,882 T€.

As per March 31, 2004, capital reserves amounted to 230,609 T€ according to US GAAP. According to IFRS, the amount rose by 204 T€ to 230,813 T€.

The above differences are due to the recognition of the share-based compensation plan and interest expenses for convertible bonds.

### *Accumulated deficit*

As per December 31, 2003, the accumulated deficit according to US GAAP amounted to 199,943 T€. According to IFRS, the deficit rose by 1,057 T€ to 201,000 T€ as per January 1, 2004, from which 975 T€ account for gains and losses from currency translations, accrued under US GAAP prior to the transition date.

As per December 31, 2004, the accumulated deficit according to US GAAP amounted to 212,248 T€. According to IFRS, the deficit rose by 1,416 T€ to 213,664 T€, from which 975 T€ account for gains and losses from currency translations, accrued under US GAAP prior to the transition date.

As per March 31, 2004, the accumulated deficit according to US GAAP amounted to 199,943 T€. According to IFRS, the deficit rose by 1,057 T€ to 201,000 T€, from which 975 T€ account for gains and losses from currency translations, accrued under US GAAP prior to the transition date.

These gains and losses will have to be recognized for subsidiaries abroad only after transition date. In addition, expenses of the share-based compensation plan and interest expenses for convertible bonds have been accounted for.

### *Net income recognized directly in equity*

As per December 31, 2003, the net income directly recognized in equity according to US GAAP amounted to -220 T€. The presentation according to IFRS leads to a gain of 975 T€ to 755 T€.

As per December 31, 2004, the net income directly recognized in equity amounted to -1,003 T€ according to US GAAP. The presentation according to IFRS leads to a gain of 975 T€ to -28 T€.

As per March 31, 2004, the net income directly recognized in equity amounted to 206 T€ according to US GAAP. The presentation according to IFRS leads to a gain of 975 T€ to 1,180 T€.

The difference arose from the reclassification of gains and losses from currency translations of 975 T€.

## E) Transition to IFRS and comments on the cash flow statement

Altogether no adjustments to the cash flow statement of the first quarter 2004 were made. The increase in the net loss of the period due to the recognition of share-based compensation of 94 T€ is compensated by the cash flow from operating activities and financing activities.

## F) Comments on consolidated shareholders' equity statement

See also comments on the balance sheet (P. 19).

## G) Other comments

### Contingencies and other financial obligations

As of March 31, 2005, a rental guarantee of 206 T€ existed. No contingencies for the benefit of board members were assumed.

## H) Board of directors and supervisory board

### „Directors Holdings“ and Notes on Company-Owned Shares and Warrants

| Members  | Shares<br>Q1-2005 | Shares<br>Y-2004 | Options<br>Q1-2005 | Options<br>Y-2004 | CB <sup>1)</sup><br>Q1-2005 | CB <sup>1)</sup><br>Y-2004 |
|--|-------------------|------------------|--------------------|-------------------|-----------------------------|----------------------------|
| Prof. Dr. Ernst-Ludwig Winnacker<br>Supervisory Board Chairman, Co-<br>founder | 292,676           | 292,676          | 38,700             | 38,700            | 3,200                       | 3,200                      |
| Dr. Norbert Riedel<br>Deputy Chairman of the Supervisory<br>Board              | 3,300             | 3,300            | 5,590              | 5,590             | 0                           | 0                          |
| Dr. Pol Bamelis<br>Supervisory Board Member                                    | 1,000             | 1,000            | 0                  | 0                 | 1,200                       | 1,200                      |
| Dr. Alexandra Goll<br>Supervisory Board Member                                 | 0                 | 0                | 0                  | 0                 | 0                           | 0                          |
| Dr. Manfred Scholz<br>Supervisory Board Member                                 | 90,000            | 142,841          | 0                  | 0                 | 0                           | 0                          |
| Michael Tarnow<br>Supervisory Board Member                                     | 6,337             | 6,337            | 0                  | 0                 | 36,200                      | 36,200                     |
| <b>Total Supervisory Board</b>   | <b>393,313</b>    | <b>446,154</b>   | <b>44,290</b>      | <b>44,290</b>     | <b>35,600</b>               | <b>40,600</b>              |
| Dr. Peter Heinrich<br>Chief Executive Officer, Co-founder                      | 503,505           | 503,505          | 76,636             | 76,636            | 0                           | 0                          |
| Dr. Ulrich Delvos<br>Executive Board Member for R&D                            | 360               | 360              | 0                  | 0                 | 0                           | 0                          |
| Alexander Dexne<br>Chief Financial Officer                                     | 0                 | 0                | 60,000             | 60,000            | 0                           | 0                          |
| <b>Total Executive Board</b>   | <b>503,865</b>    | <b>503,865</b>   | <b>136,636</b>     | <b>136,636</b>    | <b>0</b>                    | <b>0</b>                   |
| <b>Shareholders' equity MediGene AG</b>  | <b>0</b>          | <b>0</b>         | <b>0</b>           | <b>0</b>          | <b>0</b>                    | <b>0</b>                   |

1) Convertible Bonds

(Status as at March 31, 2005, and December 31, 2004)

## I) Adjustments US-GAAP to IFRS

### Adjustment Consolidated Income Statements

of MediGene AG for the periods from January 1 to December 31, 2004

| in T€   | US GAAP<br>2004<br>unaudited | IFRS<br>adjustment | IFRS<br>2004<br>unaudited |
|---|------------------------------|--------------------|---------------------------|
| 1. Product sales  | 12,501                       | 0                  | 12,501                    |
| 2. Other operating income   | 657                          | 0                  | 657                       |
| <b>3. Total revenues</b>  | <b>13,138</b>                | <b>0</b>           | <b>13,138</b>             |
| 4. Cost of sales  | 5,930                        | 0                  | 5,930                     |
| <b>5. Gross profit</b>  | <b>7,208</b>                 | <b>0</b>           | <b>7,208</b>              |
| 6. Selling expenses   | 1,164                        | 0                  | 1,164                     |
| 7. General and administrative expenses                                  | 4,788                        | 342                | 5,130                     |
| 8. Research and development expenses                                    | 15,627                       | 0                  | 15,627                    |
| <b>9. Operating loss</b>  | <b>-14,371</b>               | <b>-342</b>        | <b>-14,713</b>            |
| 10. Interest income and expenditures                                    | 575                          | -18                | 557                       |
| 11. Income from securities  | 1,581                        | 0                  | 1,581                     |
| 12. Foreign currency exchange gains/losses                              | -90                          | 0                  | -90                       |
| <b>13. Loss before income tax</b>                                       | <b>-12,305</b>               | <b>-360</b>        | <b>-12,665</b>            |
| 14. Tax   | 0                            | 0                  | 0                         |
| <b>15. Net loss from continued operations</b>                           | <b>-12,305</b>               | <b>-360</b>        | <b>-12,665</b>            |
| 16. Result from discontinued operations                                 | -1                           | 0                  | -1                        |
| <b>17. Net loss for the period</b>                                      | <b>-12,306</b>               | <b>-360</b>        | <b>-12,666</b>            |
| <b>Per share data in €:</b>   |                              |                    |                           |
| Result from continued operations („actual“ and „fully diluted “)        | -0.88                        | -0.02              | -0.90                     |
| Result including discontinued operations („actual“ and „fully diluted“) | -0.88                        | -0.02              | -0.90                     |
| Weighted average number of shares outstanding                           | 13,996,440                   |                    | 13,996,440                |

According to IFRS  
Totals may vary due to rounding

## Adjustment Consolidated Income Statements

of MediGene AG for the periods from January 1 to March 31, 2004

| in T€  | US GAAP<br>Q1-2004<br>unaudited | IFRS<br>adjustment | IFRS<br>Q1-2004<br>unaudited |
|--|---------------------------------|--------------------|------------------------------|
| 1. Product sales   | 3,857                           | 0                  | 3,857                        |
| 2. Other operating income  | 53                              | 0                  | 53                           |
| <b>3. Total revenues</b>   | <b>3,910</b>                    | <b>0</b>           | <b>3,910</b>                 |
| 4. Cost of sales   | 28                              | 0                  | 28                           |
| <b>5. Gross profit</b>   | <b>3,882</b>                    | <b>0</b>           | <b>3,882</b>                 |
| 6. Selling expenses  | 299                             | 0                  | 299                          |
| 7. General and administrative expenses                                     | 1,014                           | 85                 | 1,099                        |
| 8. Research and development expenses                                       | 3,795                           | 0                  | 3,795                        |
| <b>9. Operating loss</b>   | <b>-1,226</b>                   | <b>-85</b>         | <b>-1,311</b>                |
| 10. Interest income and expenditures                                       | 99                              | -8                 | 91                           |
| 11. Foreign currency exchange gains/losses                                 | -2                              | 0                  | -2                           |
| <b>12. Loss before income tax</b>  | <b>-1,129</b>                   | <b>-93</b>         | <b>-1,222</b>                |
| 13. Tax  | 0                               |                    | 0                            |
| <b>14. Net loss from continued operations</b>                              | <b>-1,129</b>                   | <b>-93</b>         | <b>-1,222</b>                |
| 15. Result from discontinued operations                                    | -281                            |                    | -281                         |
| <b>16. Net loss for the period</b>   | <b>-1,411</b>                   | <b>-93</b>         | <b>-1,503</b>                |
| <b>Per share data in €:</b>  |                                 |                    |                              |
| Result from continued operations („actual“<br>and „fully diluted “)        | -0.09                           | -0.01              | -0.10                        |
| Result including discontinued operations<br>(„actual“ and „fully diluted“) | -0.11                           | -0.01              | -0.12                        |
| Weighted average number of shares outstanding                              | 12,340,119                      |                    | 12,340,119                   |

According to IFRS  
Totals may vary due to rounding

## Adjustment Consolidated Balance Sheet

of MediGene AG as of January 1, 2004

| in T€   | US-GAAP<br>December 31,<br>2003<br>audited | IFRS<br>Adjustment | IFRS<br>January 1,<br>2004<br>unaudited |
|---|--|--------------------|---|
| <b>Assets</b>   |  |                    |   |
| <b>A. Long-term assets</b>  |  |                    |   |
| I. Property, plant & equipment  | 2,189                                      | 0                  | 2,189                                   |
| II. Intangible assets   | 76   | 0                  | 76                                      |
| III. Goodwill   | 9,226                                      | 0                  | 9,226                                   |
| IV. Investments   | 4,452                                      | 0                  | 4,452                                   |
| V. Other assets   | 42   | 0                  | 42                                      |
| <b>Total long-term assets</b>   | <b>15,985</b>                              | <b>0</b>           | <b>15,985</b>                           |
| <b>B. Current assets</b>  |  |                    |   |
| I. Inventories  | 0  | 0                  | 0                                       |
| II. Accounts receivable   | 79   | 0                  | 79                                      |
| III. Cash & cash equivalents  | 21,444                                     | 0                  | 21,444                                  |
| IV. Other current assets  | 859  | 0                  | 859                                     |
| <b>Total current assets</b>   | <b>22,382</b>                              | <b>0</b>           | <b>22,382</b>                           |
| <b>Total assets</b>   | <b>38,367</b>                              | <b>0</b>           | <b>38,367</b>                           |
| <b>Liabilities and shareholders' equity in T€</b>                         |  |                    |   |
| <b>A. Shareholders' equity</b>  |  |                    |   |
| I. Share capital  | 11,206                                     | 0                  | 11,206                                  |
| Number of shares issued and outstanding:<br>December 31, 2003: 11,206,205 |  |                    |   |
| II. Additional paid-in capital  | 218,177                                    | 111                | 218,288                                 |
| III. Accumulated deficit  | -199,943                                   | 1,057              | -201,000                                |
| IV. Net income recognized directly in equity                              | -220                                       | 975                | 755                                     |
| <b>Total shareholders' equity</b>   | <b>29,220</b>                              | <b>29</b>          | <b>29,249</b>                           |
| <b>B. Long-term liabilities</b>   |  |                    |   |
| I. Long-term debt less current portion                                    | 108  | -29                | 79                                      |
| II. Other long-term liabilities   | 34   | 0                  | 34                                      |
| III. Capital lease obligation less current portion                        | 108  | 0                  | 108                                     |
| IV. Pension accrual   | 35   | 0                  | 35                                      |
| <b>Total long-term liabilities</b>  | <b>285</b>                                 | <b>-29</b>         | <b>256</b>                              |
| <b>C. Current liabilities</b>   |  |                    |   |
| I. Trade accounts payable   | 1,764                                      | 0                  | 1,764                                   |
| II. Other current liabilities   | 3,222                                      | 0                  | 3,222                                   |
| III. Current portion of capital lease obligation                          | 268  | 0                  | 268                                     |
| IV. Accruals  | 265  | 0                  | 265                                     |
| V. Deferred income  | 3,342                                      | 0                  | 3,342                                   |
| <b>Total current liabilities</b>  | <b>8,862</b>                               | <b>0</b>           | <b>8,862</b>                            |
| <b>Total liabilities and shareholders' equity</b>                         | <b>38,367</b>                              | <b>0</b>           | <b>38,367</b>                           |

According to IFRS  
Totals may vary due to rounding

## Adjustment Consolidated Balance Sheet

of MediGene AG as of January 1, 2004

| in T€   | US-GAAP<br>December 31,<br>2004<br>audited | IFRS<br>Adjustment | IFRS<br>December 31,<br>2004<br>unaudited |
|---|--|--------------------|---|
| <b>Assets</b>   |  |                    |   |
| <b>A. Long-term assets</b>  |  |                    |   |
| I. Property, plant & equipment  | 1,565                                      | 0                  | 1,565                                     |
| II. Intangible assets   | 7,020                                      | 0                  | 7,020                                     |
| III. Goodwill   | 9,226                                      | 0                  | 9,226                                     |
| IV. Investments   | 2,761                                      | 0                  | 2,761                                     |
| V. Other assets   | 133  | 0                  | 133                                       |
| <b>Total long-term assets</b>   | <b>20,705</b>                              | <b>0</b>           | <b>20,705</b>                             |
| <b>B. Current assets</b>  |  |                    |   |
| I. Inventories  | 0  | 0                  | 0   |
| II. Accounts receivable   | 115  | 0                  | 115                                       |
| III. Cash & cash equivalents  | 48,460                                     | 0                  | 48,460                                    |
| IV. Other current assets  | 3,614                                      | 0                  | 3,614                                     |
| <b>Total current assets</b>   | <b>52,189</b>                              | <b>0</b>           | <b>52,189</b>                             |
| <b>Total assets</b>   | <b>72,894</b>                              | <b>0</b>           | <b>72,894</b>                             |
| <b>Liabilities and shareholders' equity in T€</b>                         |  |                    |   |
| <b>A. Shareholders' equity</b>  |  |                    |   |
| I. Share capital  | 18,523                                     | 0                  | 18,523                                    |
| Number of shares issued and outstanding:<br>December 31, 2004: 18,522,684 |  |                    |   |
| II. Additional paid-in capital  | 256,411                                    | 471                | 256,882                                   |
| III. Accumulated deficit  | -212,248                                   | -1,416             | -213,664                                  |
| IV. Net income recognized directly in equity                              | -1,003                                     | 975                | -28                                       |
| <b>Total shareholders' equity</b>   | <b>61,683</b>                              | <b>29</b>          | <b>61,712</b>                             |
| <b>B. Long-term liabilities</b>   |  |                    |   |
| I. Long-term debt less current portion                                    | 1,703                                      | -29                | 1,674                                     |
| II. Other long-term liabilities   | 55   | 0                  | 55  |
| III. Capital lease obligation less current portion                        | 115  | 0                  | 115                                       |
| IV. Pension accrual   | 36   | 0                  | 36  |
| <b>Total long-term liabilities</b>  | <b>1,909</b>                               | <b>-29</b>         | <b>1,880</b>                              |
| <b>C. Current liabilities</b>   |  |                    |   |
| I. Trade accounts payable   | 618  | 0                  | 618                                       |
| II. Other current liabilities   | 3,463                                      | 0                  | 3,463                                     |
| III. Current portion of capital lease obligation                          | 269  | 0                  | 269                                       |
| IV. Accruals  | 2,953                                      | 0                  | 2,953                                     |
| V. Deferred income  | 2,000                                      | 0                  | 2,000                                     |
| <b>Total current liabilities</b>  | <b>9,303</b>                               | <b>0</b>           | <b>9,303</b>                              |
| <b>Total liabilities and shareholders' equity</b>                         | <b>72,894</b>                              | <b>0</b>           | <b>72,894</b>                             |

According to IFRS  
Totals may vary due to rounding



## Adjustment Consolidated Balance Sheet

of MediGene AG as of March 31, 2004

| in T€  | US-GAAP<br>March 31,<br>2004<br>audited | IFRS<br>Adjustment | IFRS<br>March 31,<br>2004<br>unaudited |
|--|---|--------------------|--|
| <b>Assets</b>  |   |                    |  |
| <b>A. Long-term assets</b>   |   |                    |  |
| I. Property, plant & equipment   | 1,894                                   | 0                  | 1,894                                  |
| II. Intangible assets  | 70                                      | 0                  | 70                                     |
| III. Goodwill  | 9,226                                   | 0                  | 9,226                                  |
| IV. Investments  | 4,877                                   | 0                  | 4,877                                  |
| V. Other assets  | 42                                      | 0                  | 42                                     |
| <b>Total long-term assets</b>  | <b>16,109</b>                           | <b>0</b>           | <b>16,109</b>                          |
| <b>B. Current assets</b>   |   |                    |  |
| I. Inventories   | 423                                     | 0                  | 423                                    |
| II. Accounts receivable  | 0                                       | 0                  | 0                                      |
| III. Cash & cash equivalents   | 37,983                                  | 0                  | 37,983                                 |
| IV. Other current assets   | 858                                     | 0                  | 858                                    |
| <b>Total current assets</b>  | <b>39,264</b>                           | <b>0</b>           | <b>39,264</b>                          |
| <b>Total assets</b>  | <b>55,373</b>                           | <b>0</b>           | <b>55,373</b>                          |
| <b>Liabilities and shareholders' equity in T€</b>                      |   |                    |  |
| <b>A. Shareholders' equity</b>   |   |                    |  |
| I. Share capital   | 13,474                                  | 0                  | 13,474                                 |
| Number of shares issued and outstanding:<br>March 31, 2004: 13,474,032 |   |                    |  |
| II. Additional paid-in capital   | 230,609                                 | 204                | 230,813                                |
| III. Accumulated deficit   | -201,352                                | -1,150             | -202,502                               |
| IV. Net income recognized directly in equity                           | 205                                     | 975                | 1,180                                  |
| <b>Total shareholders' equity</b>                                      | <b>42,936</b>                           | <b>29</b>          | <b>42,965</b>                          |
| <b>B. Long-term liabilities</b>  |   |                    |  |
| I. Long-term debt less current portion                                 | 1,428                                   | -29                | 1,399                                  |
| II. Other long-term liabilities  | 34                                      | 0                  | 34                                     |
| III. Capital lease obligation less current portion                     | 71                                      | 0                  | 71                                     |
| IV. Pension accrual  | 35                                      | 0                  | 35                                     |
| <b>Total long-term liabilities</b>                                     | <b>1,568</b>                            | <b>-29</b>         | <b>1,539</b>                           |
| <b>C. Current liabilities</b>  |   |                    |  |
| I. Trade accounts payable  | 1,281                                   | 0                  | 1,281                                  |
| II. Current portion of long-term debt                                  | 3,282                                   | 0                  | 3,282                                  |
| III. Other current liabilities   | 271                                     | 0                  | 271                                    |
| IV. Current portion of capital lease obligation                        | 222                                     | 0                  | 222                                    |
| V. Accruals  | 2,670                                   | 0                  | 2,670                                  |
| VI. Deferred income  | 3,143                                   | 0                  | 3,143                                  |
| <b>Total current liabilities</b>                                       | <b>10,869</b>                           | <b>0</b>           | <b>10,869</b>                          |
| <b>Total liabilities and shareholders' equity</b>                      | <b>55,373</b>                           | <b>0</b>           | <b>55,373</b>                          |

According to IFRS  
Totals may vary due to rounding

### 2005

#### May 4

3-Months Report  
Press and analysts conference call

#### June 10

Annual shareholders' meeting, Munich

#### August 3

6-Months Report  
Press and analysts conference call

#### November 2

9-Months Report  
Press and analysts conference call

### 2006

#### March 22

Annual Report 2005  
Press and analysts conference

### Publisher

MediGene AG  
Lochhamer Straße 11  
82152 Planegg / Martinsried  
T +49 (89) 85 65 29 0  
F +49 (89) 85 65 29-20

### Contact

#### Investor Relations

Dr. Michael Nettersheim  
T +49 (89) 85 65 29-46  
investor@medigene.com

#### Public Relations

Julia Hofmann  
T +49 (89) 85 65 29-86  
public.relations@medigene.com

#### Human Resources

Dr. Annette Erdmann  
T +49 (89) 85 65 29-49  
human.resources@medigene.com

#### Business Development

Dr. Michael Ruppert  
T +49 (89) 85 65 29-56  
business.development@medigene.com

...we look forward to speaking with you