3-Months Report 2004

A leading German biotech company

First drug on the market

Novel cancer drug candidates

Reaching the Market

MediGene

Comprehensive Product Pipeline

Products	Diseases	Pre-clinical	Clinical phases	Approval	Max sales[1] (million €)
			1 2 3		
Eligard ®	Prostate cancer				> 50[2]
Polyphenon® E-Ointment	Genital tumors				> 100
	Actinic keratosis[3]				> 200
	Basal cell carcinoma				> 50
Oncolytic HSV	Liver metastases		[4]		> 200
	Brain tumors (Glioblastom)		[5]		> 300
	Prostate cancer Hepatocellular carcinoma				> 500
rAAV tumor vaccine	Malignant melanoma				> 200[6]
Chance of reaching the market[5]:		0 - 10 %	10 – 30 % 40 – 60 % 60 – 80 %	90 %	

[1] Per year, peak sales. MediGene will receive royalties from sales of products, which are jointly developed or marketed with biotech or pharmaceuticals companies.

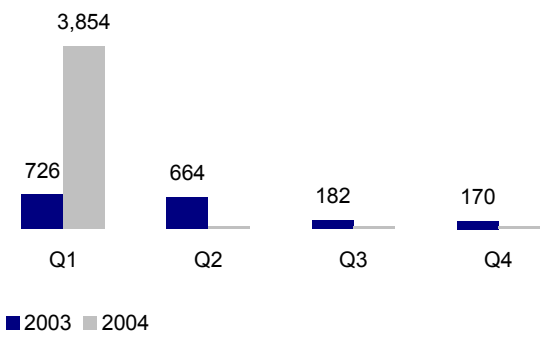
[2] Marketing partnership with Yamanouchi
[3] Precursors of a specific kind of skin cancer
[4] Phase 1/2 in preparation
[5] Project plan under review
[6] Development partnership with Aventis

Content

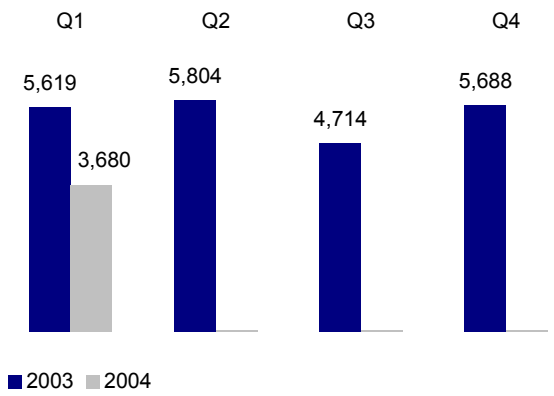
Key Figures 3-Months Report 2004

		3M-2003	3M-2004	Change
Total revenue	T€	726	3,910	439 %
R&D expenses	T€	5,619	3,680	-35 %
Net loss from continued operations	T€	-7,519	-1,226	-84 %
Personnel expenses from continued operations	T€	3,310	2,092	-37 %
Employees as at March 31 from continued operations	number	155	110	-29 %
Cash flow used by operating activities	T€	-6,058	599	
Cash flow from / used by investing activities	T€	-39	-53	
Cash flow from financing activities	T€	45	15,998	
Cash and cash equivalents at end of period	T€	41,696	37,983	-9 %
Net loss per share from continued operations	€	-0.65	-0.09	86 %

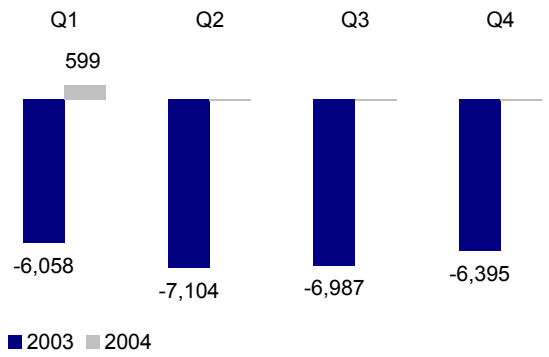
Total Revenues
in T€



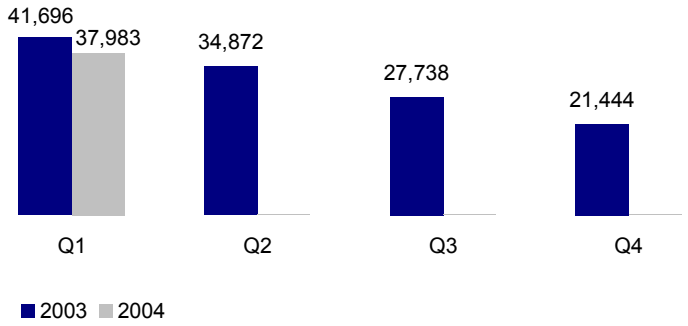
R&D Expenses
in T€



Cash Flow Used by Operating Activities
in T€



Cash and Cash Equivalents
in T€



Overview of the First Quarter 2004

- **At the beginning of January, MediGene has concluded a partnership with the pharmaceuticals group Yamanouchi for the pan-European commercialization of the anti-cancer drug Eligard®.** Yamanouchi, the second largest pharmaceuticals company in Europe in the field of urology, will take on pan-European promotion and sale of Eligard®, formerly known as Leuprogel®, a drug for the treatment of prostate cancer. In return MediGene will receive successive milestone payments totaling up to € 23.5 million including a signing fee of € 4 million, as well as additional royalties on sales of Eligard®.

- **At the end of January, MediGene received marketing authorization for Germany from the Bundesinstitut für Arzneimittel und Medizinprodukte (= Federal Institute for pharmaceuticals and medical devices), BfArM, for the three-months sustained release product of the anti-cancer drug Eligard® for the treatment of advanced prostate cancer.** Marketing authorization for the corresponding one-month sustained release product of this drug had already been granted at the beginning of December 2003. The three-months sustained release product offers additional applications of Eligard®, thus enhancing its competitiveness. As part of the agreement with Yamanouchi, MediGene has received a milestone payment for obtaining approval of the three-months sustained release product.

- **In February, MediGene successfully completed patient recruitment for the final clinical phase 3 trial of the Polyphenon® E Ointment on schedule.** The admission of 480 patients needed for the American arm of the trial will allow a timely completion of the trial by the end of this year, as planned.

- **On March 4, MediGene announced a three-step capital increase. The capital increase was successfully closed on March 24, with gross proceeds from the issue of new shares amounting to 16.7 million €.** The first step was a share capital increase by 10 % through private placement under participation of Techno Venture Management (TVM). Approximately 1.1 million new shares were issued at the average market price of the five preceding trading days, that is 6.80 € per share. In a second capital increase of 10 %, MediGene offered current shareholders again approx. 1.1 million new shares at 6.80 € each. In addition, MediGene issued convertible bonds at the amount of 1.5 million € to be subscribed to by shareholders at 1 € each. The conversion price is 7.50 € per share. The convertible bonds bear 4 % interest annually during the 4 years to maturity. Conversion is possible after a period of 12 months. MediGene can demand conversion under certain circumstances. Subscription period for shares and convertible bonds went from March 6 - 19, 2004.

- **On March 31, MediGene announced excellent results achieved in a European clinical phase 3 trial of the Polyphenon® E Ointment for the treatment of genital warts.** The statistically significant trial with more than 500 patients showed a high and lasting efficacy of the drug with extremely low adverse events. The results of this trial, along with the data from the still ongoing

American phase 3 trial will be prerequisites for the marketing authorization application for Polyphenon® E Ointment. The pooled results of both trials are expected at the end of 2004.

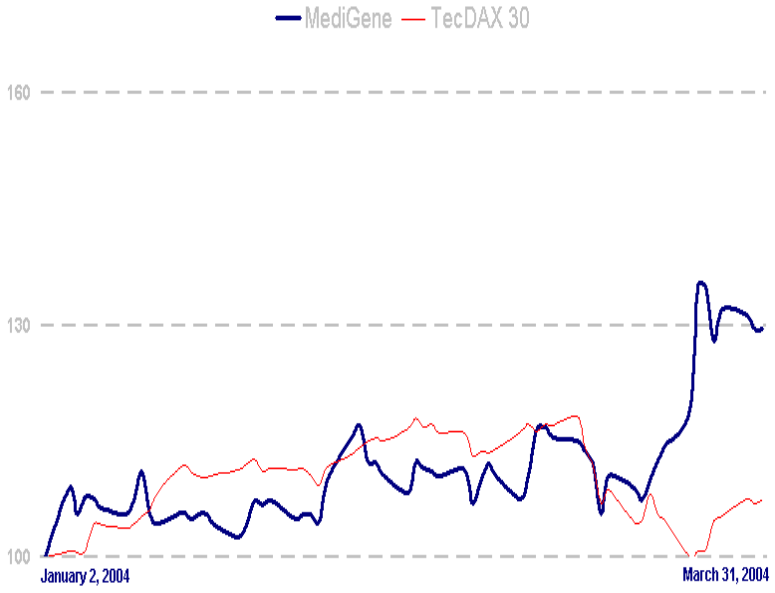
- **In April MediGene announced the extension of clinical development of its Polyphenon® E Ointment to another tumor disease.** On April 29, 2004, MediGene initiated a clinical phase 2 trial of the Polyphenon® E Ointment for the treatment of actinic keratosis (precursor of skin cancer). The objective of the trial is to investigate efficacy and safety of Polyphenon® E Ointment applied against actinic keratosis. The results are expected in 2005. The extension of clinical development to actinic keratosis will increase the sales potential of Polyphenon® E Ointment by approximately 200 million € to more than 300 million € annually.

- **At the beginning of May Eligard® was launched as our first drug.** With the launch of the prescription drug to treat advanced prostate cancer, MediGene becomes the first German biotech company with a drug on the market. The Japanese pharmaceuticals group Yamanouchi takes over the commercialization of Eligard®. Ya In Germany, more than 120 medical representatives nationwide will promote Eligard® with urologists, the specialists in diseases of the prostate gland. Upon launch, MediGene receives a milestone payment from Yamanouchi. In addition, MediGene will receive royalties on sales of Eligard®.

Our Share

The MediGene Share Price

(January 2, 2004 6.06 € indexed to 100)



Key Figures for the Share

		3M-2003	3M-2004
3 months high	€	9.23	8.19
3 months low	€	2.55	6.06
Price at beginning of the year	€	4.05	6.06
Average price since beginning of the year	€	3.83	6.76
Closing price	€	5.63	7.85
Number of shares as of March 31		11,206,205	13,474,032
Average number of shares		11,206,205	12,340,119
Average market capitalization	million €	43.0	96.9
Average daily trading volume	in shares	140,513	120,489

Interim MD&A 3M-2004

- **Revenues increase fivefold from 0.7 Mio. € to 3.9 million €**
- **Improvement in net result from -9.0 million € to -1.4 million €**
- **Positive cash flow from operating activities of 0.6 million €**
- **Gross proceeds from a three-step capital increase of 16.7 million €**
- **Increase of cash by 16.5 million € to 38.0 million €**

Overview of the Group

Last year MediGene initiated substantial cost-cutting measures. Apart from the termination of the research activities in cardiology, the number of products in development in the HPV and oncology segments was reduced. Therefore we will not report individual segments.

For the First Time MediGene Generates Revenues from the Commercialization of Eligard®

In the first quarter 2004, MediGene posted revenues from the commercialization of Eligard®, a drug approved for marketing, for the first time. In January 2004, MediGene concluded a marketing partnership with the Japanese pharmaceuticals group Yamanouchi for the pan-European commercialization of Eligard®. Within the framework of the agreement, MediGene will receive milestone payments totaling up to 23.5 million €, including a signing fee of 4 million €, and additional royalties on sales of Eligard®. Eligard® was produced for the treatment of advanced, hormone-dependent prostate cancer.

Three-Step Capital Increase Successfully Closed

A three-step capital increase in March 2004 resulted in proceeds of 16.7 million €. This has significantly strengthened our company's capital base and considerably extended our financial scope. Apart from Techno Venture Management GmbH, Munich, we have been able to gain the US investment company OrbiMed as a new investor. OrbiMed is one of the leading investors in the biotechnology segment worldwide.

Excellent Results of Clinical Phase 3 Trial of Polyphenon® E Ointment

On March 31, MediGene announced excellent clinical results achieved in a European phase 3 trial of the Polyphenon® E Ointment for the treatment of genital warts. The statistically significant trial with more than 500 patients showed a high and lasting efficacy of the drug with extremely low adverse events. The results of this trial, along with the data from the still ongoing American phase 3 trial will be prerequisites for the marketing authorization application for Polyphenon® E Ointment. The pooled results of both trials are expected at the end of 2004. Positive results of clinical trial are a crucial factor for our company's success.

According to SFAS regulation no. 144 »Accounting for the impairment or disposal of long-lived assets«, the activities of MediGene's former cardiology segment are reported under "discontinued operations", with the previous year figures adjusted accordingly. The corresponding business operations were discontinued as of December 31, 2003.

The explanatory comments made in the Management's Discussion and Analysis (MD&A) in our Annual Report 2003 also apply to this 3-Months Report 2004.

CONSOLIDATED INCOME STATEMENT

Group Profit and Loss Account (Abbreviated)

in T€	Q1-2003 unaudited	Q1-2004 unaudited
Total revenues	**726**	**3,910**
Cost of goods sold	0	28
Gross profit	**726**	**3,882**
General, administrative and selling expenses	2,353	1,245
Research and development expenses	5,619	3,680
EBITDA	**-7,246**	**-1,015**
Depreciation	273	183
EBIT	**-7,519**	**-1,226**
Net loss from continued operations	**-7,267**	**-1,129**
Result from discontinued operations	-1,770	-281
Net loss	**-9,037**	**-1,410**

Revenues and Other Operating Income

In the first quarter 2004, total revenues increased from 726 T€ in the first quarter 2003 to 3,910 T€, 3,857 T€ of which are allocated to revenues from the commercialization of the approved drug Eligard®. These revenues were gained within the framework of a marketing partnership for the commercialization of Eligard® concluded in January 2004 with the Japanese pharmaceuticals group Yamanouchi. Apart a milestone payment for the German approval of three-months product of Eligard® an upfront-payment of 4 million € was partially recognized as revenue.

Other operating income was 53 T€ (3M-2003: 726 T€), which equaled the refunding of research and development payments MediGene received for that accrued within the framework of a joint development project with the pharmaceuticals company Aventis. In the corresponding reporting period of last year, additional income from a partnership with Schering had been posted.

Cost of Goods Sold

In the reporting period, cost of goods sold incurred for the first time, totaling 28 T€. This amount is the import cost of the first shipment of goods in connection with the commercialization of the drug Eligard®.

Gross Operating Result

Gross operating result in the first quarter 2004 was -726 T€ (3M-2003: -3,882 T€).

General, Administrative and Selling Expenses

In the first quarter 2004, MediGene has reduced general administrative and selling expenses by 53 % from 2,353 T€ to 1,245 T€. This amount comprises 297 T€ selling expenses (3M-2003: 342 T€) and 948 T€ general and administrative expenses (3M-2003: 2.011 T€). The disproportionate reduction in general and administrative expenses is a consequence of the cost-cutting measures initiated in 2003. Moreover, non-recurring expenses for the reorganization measures implemented at the subsidiary MediGene, Inc. and the spin-off of the cardiological research program were posted in the reporting period of last year.

R&D Expenses

Due to the reorganization measures and changes in the product portfolio implemented in 2003, total R&D expenses in the reporting period were reduced by 35 % to 3,680 T€.

In the first quarter, Medigene's product portfolio comprised four drug candidates: Eligard® (previously known as Leuprogel®) for the treatment of advanced, hormone-dependent prostate cancer, the Polyphenon® E Ointment for the treatment of benign genital tumors, NV1020 for the treatment of colorectal carcinoma metastasized to the liver, and the rAAV tumor vaccine to treat malignant melanoma.
Having received marketing authorization for Germany for the one-month product of Eligard® in December 2003, the three-months product, MediGene obtained the approval for the German market for the three-months product in January 2004 as well.
During the reporting period, Polyphenon® E Ointment was undergoing final clinical phase 3 trials in America and Europe. In February we announced that patient recruitment for the American part of the trial had been completed. Approximately 500 patients are participating in this trial, the results of which are expected at the end of 2004. At the end of this quarter, MediGene reported positive results of the European trial. The statistically significant trial with more than 500 patients showed a high and lasting efficacy of the drug with extremely low adverse events. The results of this trial, along with the data from the ongoing American phase 3 trial will be prerequisites for the marketing authorization application for Polyphenon® E Ointment.
MediGene is presently preparing a clinical phase 1/2 trial of the drug candidate NV1020 for the treatment of colorectal carcinoma metastasized to the liver, which is scheduled to start in the second half of this financial year. NV1020 is based upon MediGene's technology of oncolytic herpes simplex viruses. These viruses have been genetically modified for the selective destruction of tumor cells (oncolysis).
In cooperation with Aventis, MediGene is currently developing a tumor vaccine to treat malignant melanoma. At present this vaccine is undergoing a clinical phase 1/2 trial. The results of this trial are expected in the middle of 2004.

R&D expenses further include the expenses on preclinical trials to investigate the effects of drugs. Pharmacology and toxicology also form parts of these activities.

Depreciation

Compared to last year, depreciation decreased by 38 % to 145 T€ (3M-2003: 233 T€). During the liquidation of the cardiology segment, depreciation of 178 T€ accrued in the first quarter 2004. Regarding the goodwill reported in the balance sheet, the impairment test at the end of the reporting period did not show any change compared to the previous quarter.

Depreciation in T€	3M-2003	3M-2004	Change
of fixed assets incl. intangibles	233	145	-38 %
of capitalized leased items	40	38	-5 %
Total	**273**	**183**	**-33 %**
Discontinued operations	62	178	187 %
Total	**335**	**361**	**8 %**

EBITDA

In the first quarter 2004, earnings before interest, tax, depreciation and amortization (EBITDA) improved by 86 % to -1,015 T€ (3M-2003: -7,246 T€). This significant improvement in EBITDA results from the increase in total revenues, and from the clear decline in expenditure for general administration and R&D.

EBIT

Operating loss before interest and tax (EBIT) decreased by 84 % to -1,226 T€ (3M-2003: -7,519 T€) compared to last year's reporting period.

Financial Result

Compared to last year's reporting period, the financial result declined by 62 % to 97 T€ (3M-2003: 252 T€). The reduction in interest income resulted mainly from a significantly lower amount invested. Interest expenses incurred by leasing of property, plant & equipment.

Financial result in T€	3M-2003	3M-2004	Change
Interest income	286	106	-63 %
Interest expense	-32	-7	-78 %
Foreign currency exchange gains / losses	-2	-2	0 %
Total	**252**	**97**	**-62 %**

3-Months Loss Reduced

Compared to last year's reporting period, MediGene reduced the 3-months loss from continued operations by 84 % to -1,129 T€ (3M-2003: -7,267 T€). This decrease was a consequence of the rise in total revenues and the significant decline in administrative as well as research and development expenditure.

Loss per Share Decreased

The net loss per share from continued operations improved accordingly in the first three months of financial year 2004, by 86 % from -0.65 € (weighted average number of shares 11,206,205) to -0.09 € (weighted average umber of shares 12,340,119).

ASSETS POSITION

Cash Position 37,983 T€; Equity Ratio of 78 %

Compared with the closing date of last year, the balance sheet total has increased by 44 % to 55,373 T€ (December 31, 2003: 38,367 T€). This increase results from the capital increase closed in March 2004. This has led to an improved equity ratio of 78 %. Cash position as of March 31, 2004 amounted to 37,983 T€. This includes cash inflow of 16.0 million € from the three-step capital increase in March 2004. Due to the convertible bonds at a nominal value of 1.5 million € issued within this capital increase, long-term liabilities have increased to 1,568 T€ (December 31, 2003: 285 T€). The rise in current liabilities is a consequence of deferred income based on the realization of a payment of 4.0 million € which MediGene received in January 2004, upon conclusion of the partnership with Yamanouchi. There is no repayment obligation for this sum. The partnership had been concluded for the pan-European commercialization of the drug Eligard® in January 2004. The corresponding deferred income will be reversed affecting net income upon approval of Eligard® for England, France, Italy and Spain.

The impairment test at the closing date did not show a change in capitalized goodwill.

Changes in assets and capital structure

in T€	Dec. 31, 2003	March 31, 2004	Change
Assets			
Long-term investments	4,494	4,919	9 %
Goodwill	9,226	9,226	0 %
Fixed assets	2,265	1,964	-13 %
Cash and cash equivalents	21,444	37,983	77 %
Other current assets	938	1,281	37 %
Total assets	**38,367**	**55,373**	**44 %**
Liabilities and shareholders' equity			
Shareholders' equity	29,220	42,936	47 %
Long-term liabilities	285	1,568	450 %
Current liabilities	8,862	10,869	23 %
Total liabilities	**38,367**	**55,373**	**44 %**
Liquidity cover ratio	**56 %**	**69 %**	**23 %**
Equity ratio	**76 %**	**78 %**	**2 %**

Financial Position

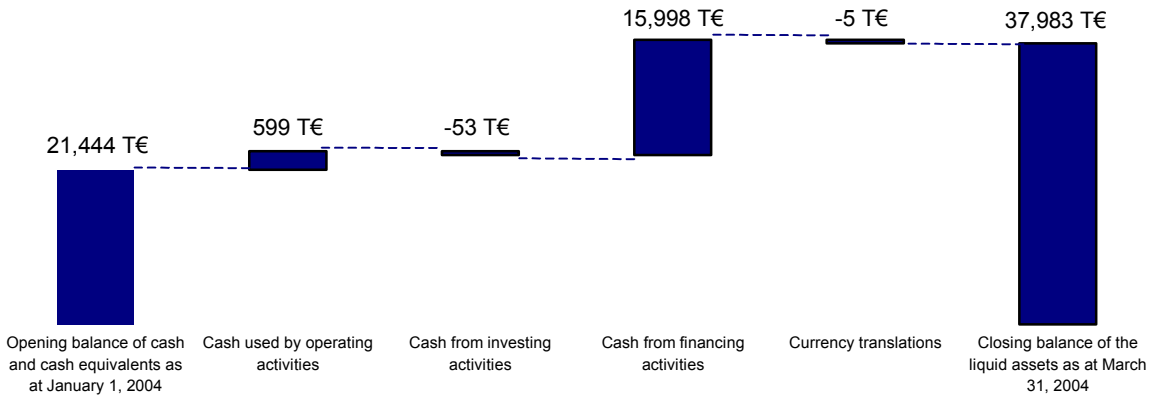
Cash Flow from Successfully Closed Capital Increase

Cash has increased by 16,539 T€ in the first quarter 2004. This increase is mainly due to the following two factors: the net loss was reduced by a decline in expenditure, and at the same time income was generated by the commercialization of Eligard® and the successful realization of a capital increase in March 2004.
Cash inflow from operating activities was 599 T€ (3M-2003: cash outflow 6,058 T€). This includes cash inflow of 3,145 T€, posted under other liabilities and deferred income (see balance sheet: "current liabilities"). These funds correspond to a portion of a signing fee of 4.0 million € which MediGene received upon conclusion of the partnership with Yamanouchi in January 2004. The balance remaining was posted as affecting net income in the reporting period.
Cash inflow from financing activities was 15,998 T€, mainly from the capital increase closed in March 2004. In the course of this capital increase, 16.7 million € before transaction fees were collected by issue of new shares and convertible bonds. As of closing date, cash and cash equivalents was 37,983 T€. MediGene uses the resources available for the development of drug candidates.

Monthly Net Cash Burn

As a result of the change in cash and cash equivalents and securities reported in the balance sheet (see. p. 15 „Consolidated balance sheet"), there was a net increase of 16,539 T€ (3M-2003: -6,066 T€) in the first three months of the financial year, which corresponds to an average of 5,513 T€ per months (3M-2003: -2022 T€). This includes non-recurring inflow of cash from a capital increase and from a signing fee paid upon conclusion of the marketing partnership with the pharmaceuticals group Yamanouchi.

Development of Cash and Cash Equivalents



Human Resources

As of the closing date March 31, 2004, the number of employees within continued operations was 110, with 94 at the Martinsried headquarters and 16 at the subsidiary MediGene, Inc., USA. Headcount of the group as of closing date was reduced by 71 %. As a consequence of the cost-cutting measures, the number of employees at the US location will be about 10 by midyear.
Staff cutback has resulted in a significant reduction in personnel expenses within continued operations, to 2,092 T€ (3M-2003: 3,310 T€).

Staff as of March 31

	3M-2003	3M-2004	Y-2003
MediGene AG	107	94	92
MediGene, Inc.	48	16	20
Total from continued operations	**155**	**110**	**112**
Discontinued operations	26	2	12
Total	**181**	**112**	**124**

Personnel expenses

in T€	3M-2003	3M-2004	Change
Total from continued operations	**3,310**	**2,092**	**-37 %**
Discontinued operations	360	39	-89 %
Total	**3,670**	**2,131**	**-42 %**

Major Events Since End of Period under Review

There have been no changes in the general setting or company's situation (as at April 26, 2004).

Forecast

The cost-cutting measures implemented in 2003 will lead to savings of 10 million € in 2004.

Eligard® Launch

MediGene's first drug Eligard® was launched on the German market on May 4, 2004. This drug, an LH-RH agonist for the treatment of advanced, hormone-dependent prostate cancer, was approved for the German market by the Bundesinstitut für Arzneimittel und Medizinprodukte (= Federal Institute for pharmaceuticals and medical devices, BfArM) in December 2003 (one-months product) and in January 2004 (three-months product). Within the European mutual recognition procedure, Germany will serve as a reference for additional approvals of Eligard® in other European countries.
In January 2004, MediGene concluded a marketing partnership with the Japanese pharmaceuticals group Yamanouchi for the pan-European commercialization of Eligard®: in addition to the signing fee and milestone payments totaling up to 23.5 million €, MediGene will receive additional royalties on the revenues generated by the sale of Eligard®. It is intended to submit marketing authorization applications for the one-month and three-months products in other European countries as well. Yamanouchi is one of the leading pharmaceutical groups in Europe in the field of urology.

Four-Months and Six-Months Products of Eligard® Provide Additional Opportunities

In addition to the licenses for the one-month and three-months products, MediGene had also acquired options on European marketing licenses for a four-months and a six-months sustained release product in 2001. These products are also subjects of the contract concluded with Yamanouchi. No additional cost will accrue to MediGene by exercising these options. Both products for which there is no approved competitive product on the European market, offer an interesting opportunity to further increase the value of this drug. The partners have not come to a decision on the further development of these two products up to now. The four-months product is already approved for the US market, and a final clinical trial of the six-months product has been completed by Atrix Laboratories, Inc., the licensor, in the USA with positive results. The marketing authorization application is currently prepared by Atrix in the USA:

Polyphenon® E Ointment: Excellent Results of the Clinical Trial in the First Quarter 2004 - Completion of the Trial Expected in 2004

The Polyphenon® E Ointment is currently in development to treat benign tumors of the genital area, the so-called genital warts. The ointment is administered to the patients in three different dosages (10 %, 15 %, and placebo) three times daily, for a maximum period of 16 weeks. A 12 weeks medical observation period follows treatment. A total of approximately 1,000 patients were treated in this two-arm clinical phase 3 trial which took place in Europe and South Africa as well as in North and South America, and which is relevant for obtaining marketing authorization.

In March, MediGene reported excellent results of the European part of the trial. The data obtained in the statistically significant trial with over 500 patients have shown a high and lasting efficacy as well as excellent safety of the ointment, with extremely low adverse events. The results of the second trial are expected by the end of this year.

Extension of Clinical Development of Polyphenon® E Ointment to Additional Tumor Disease - Actinic Keratosis

On April 29, 2004, MediGene has initiated a clinical phase 2 trial to investigate efficacy and safety of Polyphenon® E Ointment to treat actinic keratosis (a precursor of skin cancer). The excellent data MediGene recently obtained in the phase 3 trial of Polyphenon® E Ointment for the treatment of genital warts have been the basis for the decision to develop the ointment for another indication. The results of the new phase 2 trial are expected in 2005. The extension of clinical development to actinic keratosis will increase the sales potential of Polyphenon® E Ointment by approximately 200 million € to more than 300 million € annually. In addition, MediGene examines the potential of Polyphenon® E Ointment in the indication basal cell carcinoma (common, initially benign skin tumor).

NV1020 – Next Clinical Trial Scheduled to Begin in 2004

In 2004, a new clinical phase 1/2 trial of the drug candidate NV1020 for the treatment of colorectal carcinoma metastasized to the liver is scheduled to start. This trial is currently in preparation and shall verify the efficacy of the therapeutic approach.

rAAV Tumor Vaccine

We expect to obtain the data from a still ongoing clinical trial of an rAAV tumor vaccine for the treatment of malignant melanoma which is jointly developed with our partner Aventis by midyear 2004.

Loss Reduced – Cash at the End of 2004: 25 million €

For 2004, the company expects to quadruple revenues to 8 million €. and to reduce the loss by 50%, down to 15 million €. Cash at the end of 2004 is estimated to be around 25 million €. This includes the completion of the capital increase announced in March 2004.

Consolidated Balance Sheet
of MediGene AG as of December 31, 2003, and March 31, 2004

in T€		31.12.2003 audited	31.12.2004 unaudited
Assets			
A. Current assets			
I. Cash and cash equivalents		21,444	37,983
II. Accounts receivable		79	0
III. Inventories		0	423
IV. Prepaid expenses and other current assets		859	858
Total current assets		**22,382**	**39,264**
B. Long-term assets			
I. Property, plant & equipment		2,189	1,894
II. Intangible assets		76	70
III. Goodwill		9,226	9,226
IV. Investments		4,452	4,877
V. Other assets		42	42
Total fixed assets		**15,985**	**16,109**
Total assets		**38,367**	**55,373**
Liabilities and shareholders' equity			
A. Current liabilities			
I. Current portion of capital lease obligation		265	222
II. Short-term debt and current portion of long-term debt		3,222	3,282
III. Trade accounts payable		1,764	1,281
IV. Accruals		3,342	2,670
V. Deferred income		0	3,143
VI. Other current liabilities		268	271
Total current liabilities		**8,862**	**10,869**
B. Long-term liabilities			
I. Long-term debt less current portion		108	1,428
II. Capital lease obligation less current portion		108	71
III. Pension accrual		35	35
IV. Other long-term liabilities		34	34
Total long-term liabilities		**285**	**1,568**
C. Shareholders' equity			
I. Share capital			
Number of shares issued and outstanding:			
December 31, 2003: 11,206,205		11,206	
March 31, 2004: 13,474,032	**(1)**		13,474
II. Additional paid-in capital		218,177	230,609
III. Accumulated deficit		-199,943	-201,352
IV. Accumulated other comprehensive income		-220	205
Total shareholders' equity		**29,220**	**42,936**
Total liabilities and shareholders' equity		**38,367**	**55,373**

US-GAAP
Totals may vary due to rounding

Consolidated Income Statements
of MediGene AG for the periods from January 1 to March 31, 2004, and 2003

in T€		3M-2003 unaudited	3M-2004 unaudited
1.	Product sales	0	3,857
2.	Other operating income	726	53
3.	**Total revenues**	**726**	**3,910**
4.	Cost of goods sold	0	28
5.	**Gross profit**	**726**	**3,882**
6.	Selling expenses	342	297
7.	General and administrative expenses	2,011	948
8.	Research and development expenses	5,619	3,680
9.	Depreciation	273	183
10.	**Operating loss (EBIT)**	**-7,519**	**-1.226**
11.	Interest income and expenditures	254	99
12.	Foreign currency exchange gains / losses	-2	-2
13.	**Result before income tax**	**-7,267**	**-1,129**
14.	Tax	0	0
15.	**Net loss from continued operations**	**-7,267**	**-1,129**
16.	Result from discontinued operations	-1,770	-281
13.	**Net loss for the period**	**-9,037**	**-1,410**
Per share data in €:			
Result from continued operations („actual“ and „fully diluted“)		-0.65	-0.09
Result including discontinued operations		-0.81	-0.11
Weighted average number of shares outstanding		11,206,205	12,340,119

The number of shares used in calculating the diluted net loss per share is the same as used in calculated 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 dept that could dilute basic earnings per share in the future was 915,720 as of March 31, 2004, and 576,233 as of March 31, 2003.

US-GAAP
Totals may vary due to rounding

Consolidated Changes in Shareholders' Equity

of MediGene AG for the periods from January 1 to March 31, 2004 and 2003

	Shares	Share capital	Capital reserves	Accumu-lated losses	Other comprehen sive income	Total share-holders' equity
	No.	T€	T€	T€	T€	T€
Balance 01.01.2003, audited	**11,206,205**	**11,206**	**218,142**	**-168,882**	**-1,031**	**59,435**
Net loss for the period				-9,037		-9,037
Unrealized profit from Atrix shares					-428	-428
Currency translation adjustments					-68	-68
Comprehensive income						**-9,533**
Exercised options / bonds						0
APB No. 25 Expenses on new options / bonds			28			28
Balance 31.03.2003, audited	**11,206,205**	**11,206**	**218,170**	**-177,919**	**-1,527**	**49,930**
Stand 01.01.2004, auditiert	**11,206,205**	**11,206**	**218,177**	**-199,942**	**-221**	**29,220**
Net loss for the period				-1,410		-1,410
Unrealized profit from Atrix shares					425	425
Currency translation adjustments					1	1
Comprehensive income						**-984**
Shares issued	2,245,670	2,246	12,385			14,631
Execised options / bonds	22,157	22	46			68
APB No. 25 Expenses on new options / bonds			1			1
Balance 31.03.2004, unaudited	**13,474,032**	**13,474**	**230,609**	**-201,352**	**205**	**42,936**

US-GAAP
Totals may vary due to rounding

Consolidated Cash Flow Statements
of MediGene AG for the periods from January 1 to March 31, 2004 and 2003

in T€	3M-2003 unaudited	3M-2004 unaudited
Cash flow from operating activities		
Net loss for the period	-9,037	-1,410
Adjustments to reconcile net loss to cash used in operating activities:		
APB 25 expenses on new options / bonds	28	1
Minority interest	242	0
Depreciation	335	361
Losses on sales of property, plant & equipment	0	0
Changes in:		
Inventories	102	-423
Other assets and prepaid expenses	1,077	80
Trade accounts payable	352	-483
Accruals	881	-672
Other liabilities and deferred income	-38	3,145
Net cash used by operating activities	**-6,058**	**599**
Cash flow from investing activities		
Purchases of property, plant & equipment	-39	-53
Sales of property, plant & equipment	0	0
Net cash from investing activities	**-39**	**-53**
Cash flow from financing activities		
Proceeds from stock options	0	61
Net proceeds from capital increase	0	14,416
Proceeds from minority interest	19	0
Repayments of / proceeds of loans	142	1,600
Principal payments under finance lease obligations	-116	-79
Net cash from financing activities	**45**	**15,998**
Currency translation	-14	-5
Decrease in cash and cash equivalents	**-6,066**	**16,539**
Cash and cash equivalents at beginning of period	47,762	21,444
Cash and cash equivalents at end of period	**41,696**	**37,983**

Supplementary schedule of non-cash financing activities:

Like in the reference period 2003, no new leasing obligations were incurred for new equipment during the first quarter of 2004

US-GAAP
Totals may vary due to rounding

Selected Details on the Notes

These unaudited consolidated financial statements were drawn up in compliance with the accounting principles for interim reports generally accepted in the United States of America (US GAAP). 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 2003 and 2004. All of these adjustments are of a conventional nature.

The quarterly financial statements on hand should be read in connection with the annual financial statements for 2003 and 2002. If no explicit reference to any changes is made, the comments provided therein also apply to the quarterly financial statements and are not mentioned herein.

A) Accounting and Valuation Principles

New Accounting Principles
There have been no changes compared to the reporting period of last year.

B) Consolidation

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

C) Comments on the Balance Sheet (p. 16)

(1) Share capital increase
On March 24, MediGene announced a three-step capital increase. The first step was a 10 % share capital increase through a private placement by institutional investors, with 1,122,835 new shares issued at 6.80 € per share (the average market price of the last five trading days before the start of the capital increase measures). In a second capital increase of 10 %, MediGene submitted an offer to current shareholders for again 1,122,835 new shares at 6.80 € each. In addition, MediGene offered convertible bonds in the amount of 1.5 million €, which could be subscribed to by shareholders for 1.00 € each. The conversion price is 7.50 € per share. The convertible bonds bear 4 % interest annually during the 4 years to maturity. The subscription period was March 6 - 19, 2004.
Both capital increases are carried out from authorized capital, i.e. it is possible to implement them immediately and without further shareholders' resolution. Conditional capital increase is available to ensure the options of conversion. A shareholder's resolution has been passed for this measure as well. Due to these measures, the number of outstanding MediGene shares has risen from 11,228,362 to 13,474,032.

Board of Directors and Supervisory Board

Dr. Alexandra Goll was appointed Member of MediGene's Supervisory Board as of April 1, 2004. Dr. Goll is General Partner of the investment company Techno Venture Management, Munich. Prior to that, she was employed by Hoffmann-La Roche, Basel, in the Strategic Marketing and Business Development Division.
Dr. Goll studied pharmaceutics at the Free University of Berlin and earned a doctorate in natural sciences at the University of Marburg. She is a member of the supervisory boards of the following companies: Arrow Therapeutics Ltd. (Great Britain), Axxima Pharmaceuticals AG (Martinsried, Germany) and Pharmasset Ltd. (USA).

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

Members	Shares Y-2003	Shares 3M-2004	Options Y-2003	Options 3M-2004	CB[1] Y-2003	CB[1] 3M-2004
Prof. Dr. Ernst-Ludwig Winnacker Supervisory Board Chairman, Co-founder	292,676	292,676	38,700	38,700	3,200	3,200
Prof. Dr. Dr. Ernst-Günter Afting Supervisory Board Member	11,217	11,217	15,370	15,370	1,600	1,600
Dr. Pol Bamelis Supervisory Board Member	1,000	1,000	0	0	1,200	1,200
Dr. Norbert Riedel[2] Supervisory Board Member	2,330	2,330	5,590	5,590	-	0
Michael Tarnow Supervisory Board Member	6,337	6,337	0	0	31,200	36,200
Total Supervisory Board	**313,560**	**313,560**	**59,660**	**59,660**	**39,600**	**42,200**
Dr. Peter Heinrich Chief Executive Officer Co-founder	503,505	503,505	56,636	76,636	0	0
Alexander Dexne Chief Financial Officer	0	0	40,000	60,000	0	0
Total Executive Board	**503,505**	**503,505**	**96,636**	**136,636**	**0**	**0**
Shareholders' equity MediGene AG	**0**	**0**	**0**	**0**	**0**	**0**

[1] Convertible Bonds
[2] Supervisory Board Member as of October 27, 2003

(Status as at March 31, 2003 and 2004)

Other Notes

Contingencies and Other Financial Obligations

As of March 31, 2004, a rental guarantee of 206 T€ existed. Any contingencies for the benefit of organ members have not been assumed.

Financial Calendar / Imprint

2004

May 5
3-Months Report
Press and analysts phone conference call

June 2
Annual shareholders' meeting, Munich

August 4
6-Months Report
Press and analysts phone conference call

November 10
9-Months Report
Press and analysts conference call

2005

March 23
Annual Report 2004
Press and analysts conference

...we look forward to speaking with you

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

Contact
Investor Relations
Dr. Michael Nettersheim
Senior Manager Investor Relations
& Corporate Finance
T +49 (89) 85 65 29-46
investor@medigene.com

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

Human Resources
Dr. Annette Erdmann
Director Human Resources & Organisation
T +49 (89) 85 65 29-49
human.resources@medigene.com

Business Development
Dr. Achim Löhr
Manager Business Development
T +49 (89) 85 65 29-56
business.development@medigene.com