3-Months Report 2003

Fighting tumor diseases

One of Europe's leading biotech companies

Broadest drug pipeline of German biotech industry

Novel drug candidates and technologies

MediGene

MediGene's product pipeline

Productportfolio	Diseases	Clinical phase 1	2	3	Approval	Max. sales potential[1]
Leuprogel®	Prostate cancer					> 50 million €
Polyphenon® E	Gential tumors					> 100 million €
G207	Brain tumors		[3]			> 300 million €
NV1020	Liver metastastes					> 200 million €
rAAV vaccine [5]	Malignant melanoma	[4]				> 200 million €
Probability of reaching the market[2]:		**10 – 30 %**	**40 – 60 %**	**60 – 80 %**	**90 %**	

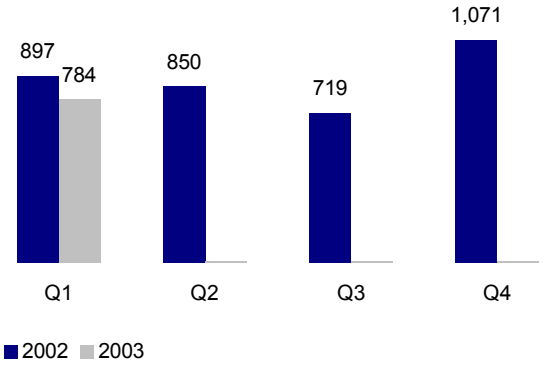
1) Per year; Source: Analyst's estimates. MediGene will receive royalties from sales of products, which are jointly developed or marketed with biotech or pharmaceuticals companies.
2) Source: Analyst's estimates
3) Phase 1b / 2
4) Phase 1 / 2
5) Drug candidate which is jointly developed in the framework of strategic alliance with our partner Aventis.

Content

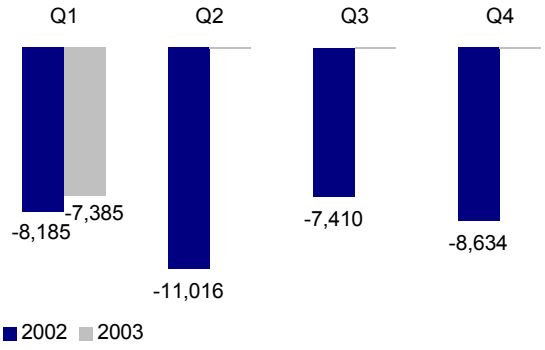
Key figures 3-Months report 2003

		Q1-2002	Q1-2003	Change
Other operating income	T€	897	784	-13 %
R&D expenses	T€	-8,185	-7,385	-10 %
Operating loss	T€	-9,301	-9,289	0 %
Personnel expenses	T€	-3,071	-3,670	19 %
Employees as of March 31	number	173	163	-5 %
Cash flow used by operating activities	T€	-8,664	-6,058	-30 %
Cash flow from/used by investing activities	T€	5,776	-39	-101 %
Cash and cash equivalents at end of period	T€	77,807	41,696	-46 %
Net loss per share	€	-0.77	-0.81	5 %

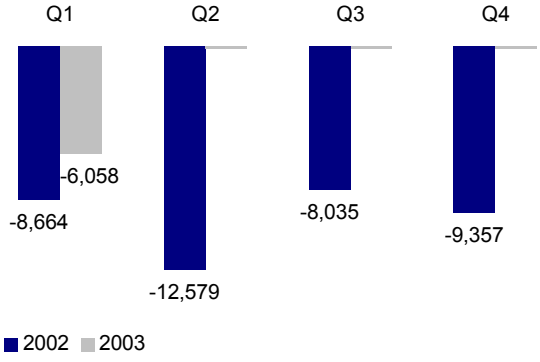
Other Operating Income
in T€



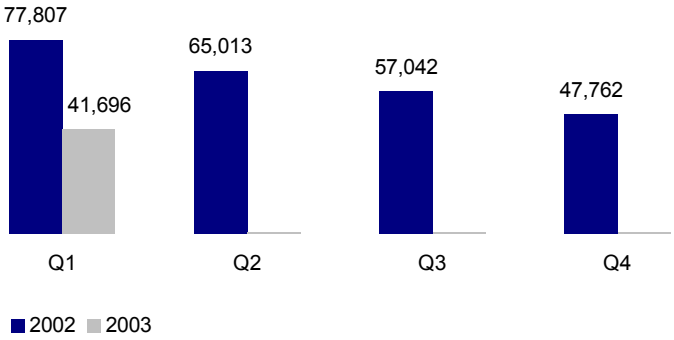
R&D Expenses
in T€



Cash Flow used by Operating Activities
in T€



Cash and Cash Equivalents
in T€



T€ = Thousand Euro

Overview of the first Quarter 2003

- **MediGene settles patent dispute with the Loyola University and MedImmune.** In January 2003 MediGene has settled its legal dispute with the Loyola University of Chicago and MedImmune Inc. relating to contested ownership rights in the CVLP technology. The settlement dismisses all claims to damages against MediGene by Loyola and MedImmune and terminates MediGene's appeal against the lower court judgment granting the contested ownership rights to Loyola. MediGene holds patents unaffected by the settlement on portions of the technology.

- **MediGene's Partner Atrix receives US approval for prostate cancer drug.** On February 20, 2003 MediGene announced that its partner Atrix Laboratories Inc. has received approval from the U.S. Food and Drug Administration (FDA) for Eligard® 30 mg (leuprolide acetate for injectable suspension). The drug also known as Leuprogel® Four-Month Depot – was developed for the treatment of advanced prostate cancer. MediGene owns the exclusive European marketing rights for Leuprogel®.

- **MediGene is admitted to the Prime Standard of the German Stock Exchange and included in the TecDax30 Index.** As one of the first companies MediGene was admitted to the Prime Standard of the German stock exchange. With the admittance to the Prime Standard segment MediGene commits to continue a transparent and timely communication strategy. In February the German Stock Exchange announced the inclusion of MediGene into the TecDAX30 index, turning MediGene into one of the leading German technology shares.

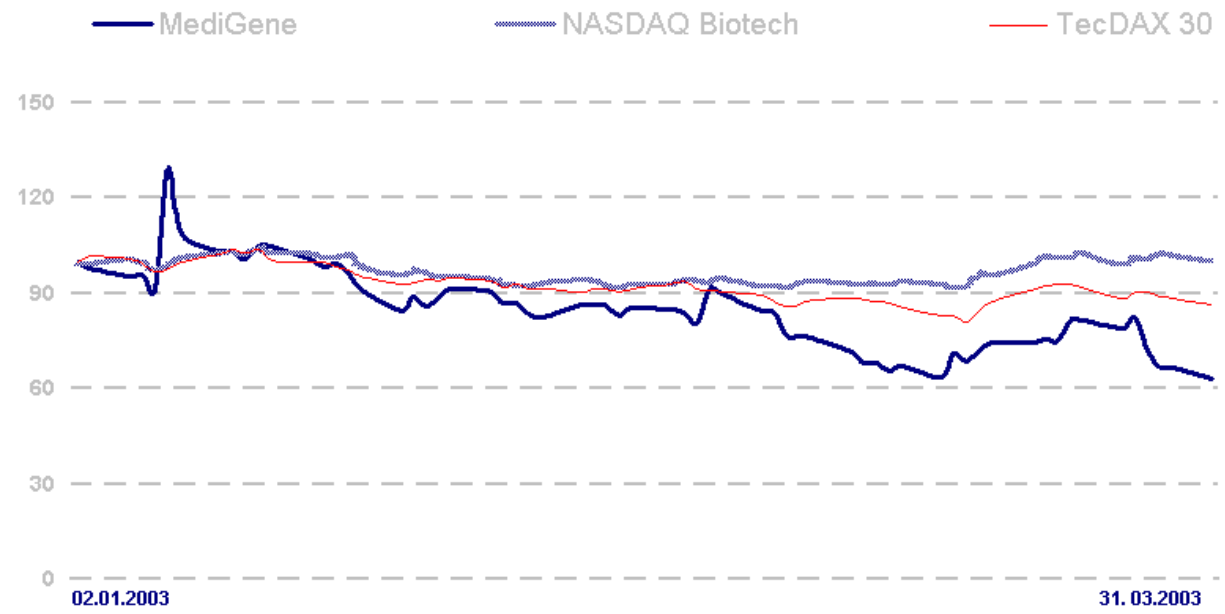
- **MediGene announced the discontinuation of the development of the CVLP tumor vaccine on March 25, 2003.** Positive data concerning tolerability and efficacy were obtained in a clinical phase 1/2 trial. Although, the results did not fulfill the high efficacy criteria predefined for the continuation of the project (efficacy in 90 % of the patients). The CVLP project was developed in cooperation with Schering AG, which contributed to the development costs. For MediGene, the discontinuation of this cooperation will result in an additional financial expenses of approx. 500 T€ in the second half of 2003 that will be balanced out by means of appropriate cost-cutting measures.

- **On March 31, 2003 MediGene and the seed capital investment company Bio^{M} AG jointly established LARNAX GmbH for the discovery and development of novel drugs against cardiac and metabolic diseases.** MediGene's cardiological research program will evolve into LARNAX GmbH as of April 1, 2003. MediGene holds almost an 25 % share in LARNAX GmbH. This spin-off will enable MediGene to realize cost savings of approx. 6.5 million €, as anticipated in the company's business plan for 2003. With the foundation of the new company, MediGene has implemented the decision to spin off its cardiological research program, as announced last year. This will enable the company to focus on its core competencies, the development of therapies against tumor diseases.

Our share

The MediGene Share Price

(January 2, 2003 4,050 € indexed to 100)



Key Figures for the Share

		Q1-2002	Q1-2003
3 months high	€	24.89	5.24
3 months low	€	15.75	2.55
Price at the beginning of the year	€	20.00	4.05
Average price since the beginning of the year	€	20.07	3.44
Closing price	€	17.10	2.55
Number of shares as of March 31		11,205,130	11,206,205
Average number of shares		11,201,884	11,206,205
Average market capitalization	€ million	224.8	38.6
Average daily trading volume		86,791	62,707

Investor Relations Activities

In a persistently strained market environment, the trend in the MediGene share price was correspondingly weak. The average first-quarter price of 3.44 €, however, must be set against a net equity ratio of 4.46 € per share certificate as of the cut-off date March 31, 2003. This figure does not take account of product candidates, technologies or patents.

Admission to the TecDax30 Index of Leading Technology Companies

Since March 24, 2003, MediGene has been a member of the newly created TecDax30 Index for the leading technology companies that are admitted for trading in Germany. MediGene had previously been granted admission to the Prime Standard segment of the German Stock Exchange. MediGene thus undertakes – among other things – to publish quarterly reports and hold regular analysts' conferences.

Participation in Renowned International Investors' Conferences

In a persistently fraught capital market, MediGene's management has been consistent in maintaining its investor relations activities and in continuing to attend renowned international investors' conferences; these included conferences in the USA such as the JP Morgan Healthcare Conference in San Francisco and the BIO CEO & Investors' Conference in New York. In Europe, MediGene attended the 6th "German Corporate Conference" held by Deutsche Bank in Frankfurt and the 5th Biotech & Finance Forum in Munich. In addition, the management has explained the corporate strategy and future development of the company in numerous one-to-one discussions with investors.

Declaration on the German Corporate Governance Code

As of March 31, 2003 there were no changes with regard to the declaration given in the annual report 2002 by the Management Board and Supervisory Board of MediGene AG as per § 161 German Stock Corporation Act on the German Corporate Governance Code's Recommendations. The Code encompasses applicable statutory provisions, recommendations based on nationally and internationally acknowledged standards of conduct and further-reaching suggestions for the management and monitoring of listed companies. The Transparency and Publicity Act (TransPuG), which came into force in the summer of 2002, created a legal basis for the Code. The newly inserted Section 161 of the Stock Corporation Act (Aktiengesetz) demands that the Executive Board and Supervisory Board of a listed company make an annual declaration regarding the extent of current and future compliance with the conduct recommendations of the German Corporate Governance Code. MediGene's voluntary commitments go beyond the statutory provisions. Those of the Code's recommendations we are not implementing are explained in a separate declaration in accordance with Section 161, Stock Corporation Act (Aktiengesetz). For maximum transparency, our Corporate Governance Principles are available permanently on the MediGene website www.medigene.com.

Interim MD&A

- **Cash position of 41.7 million € for the further financing of our R&D activities**
- **Average net cash burn rate of 2.0 million € per month in the first quarter of 2003**
- **Income of 0.7 million € from cooperations with pharmaceuticals companies**
- **R&D expenses of 7.4 million € for the development of our product and technology portfolio**
- **Spin-off of cardiology research program completed**

FRAMEWORK DATA

Geopolitical Factors, Depressed Share Prices and Poor General Economic Situation Influence the Markets

Geopolitical uncertainties and the persistently poor business environment burdened the international stock markets at the start of 2003. The high level of volatility was another sign of investors' uncertainty. The beginning of the Iraq conflict was accompanied by a slight recovery in share prices. The continuing existence of cyclical risks has now led the market to expect another reduction in key interest rates by the European Central Bank in the first half of the year. A sustained positive trend cannot be expected until the prospects for growth improve and the mood of companies and investors brightens.

The EUR/USD exchange rate reached rock bottom in 2002 and made a sustained recovery as the year drew to a close. In the short term a consolidation of the exchange rate is expected, but in the longer term the Euro can receive further stimulus from both the current account deficit and the increasing national indebtedness of the USA.

Positive Conditions Persist for the Biopharmaceuticals Sector

Many patents for high-selling active ingredients in the pharmaceuticals industry are expiring; the resultant competition from imitation products is threatening the growth of established companies. On average, the large pharmaceuticals groups launch less than one new product on the market each year: the number of products in the development pipeline is insufficient to achieve the necessary growth. In the field of tumor diseases in particular, there are currently too few innovative drugs with new active principles at early and advanced development stages. The biotech industry can help to close the existing innovation gap. The global consolidation process in the biopharmaceuticals sector continued in the first quarter of 2003. Industry experts expect this process to persist.

OVERVIEW OF THE GROUP

MediGene Focuses on Therapeutics against Tumor Diseases

Our business activities are focused on the research and development (R&D) of new drugs and technologies. MediGene's first drug, Leuprogel® for the treatment of advanced prostate cancer, is likely to be launched on the market this year. The marketing of Leuprogel® will provide us with income from product sales for the first time. With regard to the marketing of Leuprogel® we have opted for the strategy of launching the product on the market in cooperation with an established pharmaceutical company. The level of this income will therefore also depend on the future marketing partner. Until the first drug candidates have been launched on the market we will report only on other operating income, which is generated largely by our cooperations with pharmaceuticals partners.

At present, our success basically depends on the results of the pre-clinical and clinical studies that are necessary for the market authorization of our drugs. The marketing of the product candidate Leuprogel® should contribute to our future success, as should the conclusion of new strategic development partnerships for the Polyphenon® E-ointment and the HSV-technology.

Spin-Off of Cardiology Research Program Completed

MediGene, in conjunction with the seed capital investment company Bio^{M} AG, has founded LARNAX GmbH for the purpose of discovering and developing new active ingredients for the treatment of cardiac and metabolic diseases. The essence of LARNAX GmbH is MediGene's cardiology research program, which devolved upon the new company as of April 1, 2003. MediGene holds almost 25 % of the shares in LARNAX GmbH, which will take on 25 employees from the MediGene cardiology program. As a result of the spin-off, MediGene will ease its financial burden by the sum of approx. 6.5 million € that was provided for in the business plan for 2003. In establishing the company, MediGene has implemented the resolution to spin off the cardiology segment that was announced last year. This will enable the company to focus on its key area of competence, the development of therapies to counter tumor diseases.

The explanatory comments that we provided in the Management's Discussion and Analysis (MD&A) in the Annual Report for 2002 also apply to this interim report.

Profit and Loss Account (abbreviated)

in T€	Q1-2002	Q1-2003	Change
Other operating income	897	784	-13 %
R&D expenses	-8,185	-7,385	-10 %
Business development and general administration	-1,696	-2,353	39 %
EBITDA	-8,984	-8,954	0 %
Depreciation on intangible and fixed assets	-1,312	-335	-74 %
Operating loss	-9,301	-9,289	0 %

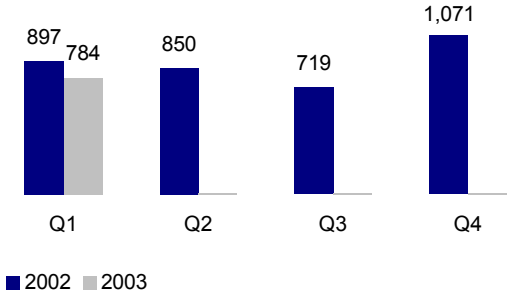
Other Operating Income

MediGene earned income from strategic partnerships with Schering and Aventis; this comprises research and development payments and licensing income that is reported under "other operating income". Compared with the corresponding period of the previous year, other operating income decreased by 13 %. This was the result of lower research and development expenses in the HPV indications and oncology segment, which led to lower R&D payments from partners.

The level of the R&D payments from the partners depends on the level of costs incurred by MediGene in the joint project in question: the higher the costs, the higher the other operating income. Other operating income therefore provides no indication of the current or future success of the company.

Other operating income

in T€	Q1-2002	Q1-2003	Change
HPV-indications	349	321	-8 %
Oncology	503	398	-21 %
Cardiology	27	58	115 %
Intersegment	17	7	-59 %
Total	**897**	**784**	**-13 %**



R&D Expenses

In the period under review, total expenditure on research and development decreased by 10 % from 8,185 T€ to 7,385 T€ compared with the corresponding quarter of the previous year. This reduction can be attributed to the decline in R&D expenses in the oncology (-36 %) and cardiology (-10 %) segments, although expenditure in the HPV indications segment (+16 %) and the intersegment (+46 %) increased. The lower level of R&D expenses reflects changes within the product portfolio and the status of the individual clinical development projects.

In the oncology segment, two drug candidates – G207 and the rAAV tumor vaccine – were involved in clinical studies during the first quarter of 2003. By way of comparison, three drug candidates, namely NV1020, G207 and the rAAV tumor vaccine, were undergoing clinical studies in the first quarter of 2002. No clinical study is presently being conducted for the drug candidate NV1020; a next clinical phase 1b/2 study is being prepared.

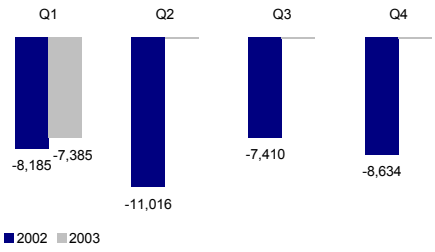
The decrease in R&D expenses in the cardiology segment was due to the termination of the Etomoxir project. Although the clinical phase 2 study for the drug candidate Etomoxir was halted in April 2002, ongoing research work was continued as part of the Integrated Target Definition Program. On March 31, 2003, MediGene completed the spin-off of the research program.

Compared with the corresponding periods of the previous year, R&D expenses in the HPV indications segment increased by 16 %: in September 2002 the first patients were included into the final study for Polyphenon® E ointment. The commencement of this study was a major factor in the increase in R&D expenses in this segment.

All of the R&D costs that could not be assigned clearly to the other segments were posted under "Intersegment". The increase of 48 % in costs within this segment results from, among other things, the expansion of the pharmacology and toxicology fields in 2002. Pharmacology and toxicology includes the research of drug properties in animal experiments as well as in clinical studies with humans.

R&D Expenses

in T€	Q1-2002	Q1-2003	Change
HPV-indications	-1,905	-2,210	16 %
Oncology	-3,514	-2,234	-36 %
Cardiology	-1,960	-1,766	-10 %
Intersegment	-806	-1,175	46 %
Total	**-8,185**	**-7,385**	**-10 %**



Expenditure for Business Development and General Administration

Compared with the corresponding quarter of the previous year, sales costs – consisting of business development and marketing – and general administration costs increased by 39 % from 1,696 T€ to 2,353 T€. The increase is caused by one-time expenditures for restructuring measures at our subsidiary MediGene, Inc. and by the spin-off of the cardiology program.

EBITDA Unchanged

In the first quarter of 2003, earnings before interest, tax, depreciation and amortization (EBITDA) were almost unchanged compared with the corresponding quarter of the previous year at -8,973 T€ (Q1-2002: -8,983 T€). The increase in negative EBITDA in the HPV indications and the intersegment was offset by an improvement in EBITDA in the cardiology and oncology segments.

EBITDA

in T€	Q1-2002	Q1-2003	Change
HPV-indications	-1,571	-1,893	20 %
Oncology	-3,045	-1,838	-40 %
Cardiology	-1,932	-1,708	-12 %
Intersegment	-2,435	-3,515	44 %
Total	**-8,984**	**-8,954**	**0 %**

Depreciation up Slightly

Depreciation increased by 6% from 317 T€ to 335 T€ compared with the corresponding prior-year quarter. With regard to the goodwill reported in the balance sheet, the impairment test in the first quarter of 2003 did not lead to any change compared with the previous quarter.

Depreciation

in T€	Q1-2002	Q1-2003	Change
of fixed assets incl. intangibles	-246	-264	7 %
of capitalized leased items	-71	-71	0 %
Total	**-317**	**-335**	**6 %**

EBIT Unchanged

Earnings before interest and tax (EBIT) were almost unchanged compared with the comparable prior-year period at -9,289 T€ (2002: -9,300 T€).

EBIT

in T€	Q1-2002	Q1-2003	Change
HPV-indications	-1,640	-1,963	20 %
Oncology	-3,164	-1,949	-38 %
Cardiology	-1,985	-1,770	-11 %
Intersegment	-2,511	-3,607	44 %
Total	**-9,301**	**-9,289**	**0 %**

Decline in Financial Result -61 %

Compared with the corresponding period of the previous year, the financial result declined by 61 %. The decline in the financial result was essentially caused by a markedly lower investment amount. Interest expenses were incurred in the leasing of tangible fixed assets (property, plant and equipment).

Financial result

in T€	Q1-2002	Q1-2003	Change
Interest income	669	286	-57 %
Interest expense	-28	-32	16 %
Foreign currency exchange gains/losses	-1	-2	100 %
Total	**640**	**252**	**-61 %**

3-Months Loss +5 %

Compared with the corresponding period of the previous year, the 3-months loss increased by 5 % from 8,661 T€ to 9,037 T€. The increase in the 3-months loss is the result of declining R&D expenses in the oncology and cardiology segments, accompanied by increasing expenses in the HPV-indications segment and the intersegment. At the same time, net interest income declined by 61 %, i. e. 388 T€, as a result of the reduction of cash and cash equivalents.

Loss per Share +5 %

The actual net loss per share (assuming a weighted average of 11,206,205 shares) amounted to -0.81 € compared with the previous year's figure of -0.77 €. The net loss based on full dilution corresponded to the actual loss as per the reporting date, since the conversion of common stock equivalents would counter the dilution effect.

Segment Reports

In the period under review, the business activities of MediGene were focused on the following segments of the drugs market: cardiology, oncology and HPV-indications. The items reported under "Intersegment" are those that cannot be assigned clearly to an individual segment. These include the pharmacology, toxicology, clinical project management and quality assurance fields.

MediGene currently has four drug candidates at the clinical development stage, with another undergoing the market authorization process. If the individual segments and clinical development projects are examined, the following changes compared with the previous year can be ascertained:

In the HPV-indications segment, a final clinical phase 3 study for Polyphenon® E ointment has been in progress since the third quarter of 2002; the clinical development of the CVLP vaccine was terminated in the quarter under review.

In the oncology segment, a clinical phase 1/2 study for NV1020 was completed successfully in the third quarter of 2002; a more advanced study is currently being prepared and is scheduled to commence before the end of this year. The results from the current clinical studies for the drug candidates G207 and the rAAV tumor vaccine are expected at the end of this year.

MediGene has announced the spin-off of the cardiology research program as of March 31, 2003. The development of the drug candidate Etomoxir was halted in June 2002.

HPV-Indications

The CVLP technology, the Polyphenon® E clinical development projects and the CVLP tumor vaccine are brought together in the HPV indications segment. In this segment, MediGene earned other operating income from the strategic partnership with Schering. The object of the cooperation agreement is the joint development of a tumor vaccine for treating cervical cancer and its precursors.

R&D expenses in the HPV indications segment increased by 16 %, mainly as a result of the commencement of the final Polyphenon® E study. The Polyphenon® E ointment is being developed for the treatment of benign tumors of the genital tract, so-called genital warts.

HPV-indications

in T€	Q1-2002	Q1-2003	Change
Other operating income	349	321	-8 %
Selling expenses	-15	-4	-73 %
R&D expenses	-1,905	-2,210	16 %
EBITDA	**-1,571**	**-1,893**	**20 %**
Depreciation	-69	-70	1 %
EBIT	**-1,640**	**-1,963**	**20 %**

HPV-indications – other operating income

in T€	Q1-2002	Q1-2003	Change
R&D payments received from partners	349	321	-8 %
Milestone and license fee payments	0	0	-
Research grants	0	0	-
Other revenue	0	0	-
Total	**349**	**321**	**-8 %**

The first clinical phase 1/2 study for the CVLP tumor vaccine for the treatment of cervical cancer and its precursors was concluded in the fourth quarter of 2002. The results did not fulfill the high effectiveness criteria that had previously been stipulated for the continuation of the project (effective for 90 % of the patients); consequently, the partners decided to discontinue the development of the project. For MediGene, the ending of the cooperation on grounds of lower cooperation income in 2003 represents an additional expenses of around 500 T€, which the company will offset with suitable cost saving measures.

Oncology

The oncology segment comprises the recombinant adeno-associated virus and oncolytic herpes simplex virus technologies, as well as the product candidates Leuprogel®, G207, NV1020 and the rAAV tumor vaccine. Other operating income reported within the oncology segment includes payments from a strategic partnership with Aventis; the object of the cooperation is the development of a tumor vaccine for treating malignant melanoma.

Oncology

in T€	Q1-2002	Q1-2003	Change
Other operating income	503	398	-21 %
Selling expenses	-34	-2	-94 %
R&D expenses	-3,514	-2,234	-36 %
EBITDA	**-3,045**	**-1,838**	**-40 %**
Depreciation	-119	-111	-7 %
EBIT	**-3,164**	**-1,949**	**-38 %**

Oncology – other operating income

in T€	Q1-2002	Q1-2003	Change
R&D payments received from partners	396	296	-25 %
Milestone and license fee payments	102	102	0 %
Research grants	0	0	-
Other revenue	5	0	-100 %
Total	**503**	**398**	**-21 %**

The rAAV tumor vaccine for the treatment of malignant melanoma is currently undergoing phase 1/2 of clinical tests. The first results are expected at the end of 2003.

Cardiology

In the cardiology segment, MediGene has investigated the causes of heart diseases and identified starting points for the development of new active ingredients for treating these diseases. The basis of these activities is the cardiology research program “Integrated Target Definition (ITD)”. The drug candidate Etomoxir for the treatment of congestive heart failure underwent a clinical phase 2 study up to April 2002. The further clinical development of Etomoxir was discontinued in June 2002. By cofounding LARNAX GmbH on March 31, 2003, MediGene completed the spin-off of its cardiology unit.

Cardiology

in T€	Q1-2002	Q1-2003	Change
Other operating income	27	58	115 %
Selling expenses	0	0	-
R&D expenses	-1,960	-1,766	-10 %
EBITDA	**-1,932**	**-1,708**	**-12 %**
Depreciation	-53	-62	17 %
EBIT	**-1,985**	**-1,770**	**-11 %**

Cardiology – other operating income

in T€	Q1-2002	Q1-2003	Change
R&D payments received from partners	0	0	-
Milestone and license fee payments	0	0	-
Research grants	26	58	123 %
Other revenue	1	0	-100 %
Total	**27**	**58**	**115 %**

Intellectual Property

Compared with the corresponding period of the previous year, there was a pronounced increase in the number of patents granted, allowed or pending. In January 2003 MediGene reached a settlement with Loyola University of Chicago and MedImmune, Inc. in the legal dispute concerning specific ownership rights to the technology of chimeric virus like particles (CVLP). As part of the agreement, the disputed ownership rights were assigned to Loyola (HPV indications: Germany -3, USA -2). Irrespective of that, MediGene holds patents to protect parts of the CVLP technology. The company also holds a number of patents for further therapeutic and diagnostic applications in the cervical cancer field.

Patents granted or allowed

	HPV-Indications	Oncology	Cardiology
Germany	0	8	3
USA	4	26	3

Patents pending

	HPV-Indications	Oncology	Cardiology
Germany	9	10	8
USA	8	26	15
International	10	31	17

Investments

Compared with the corresponding prior-year quarter, investment in tangible fixed assets, including software, declined in every segment and totaled only 39 T€ (Q1-2002: 224 T€). The company invested solely in the expansion of the infrastructure in the information technology segment. There were noteworthy individual investments. Altogether, 15 % of the investment in tangible fixed assets was accounted for by MediGene, Inc.

Assets Position

Net equity ratio amounts to 85 %

Compared with the corresponding prior-year cut-off date, the balance sheet total declined by 12 % to 58,714 T€ (31.12.2002: 67,079 T€). The decrease in the balance sheet total can largely be attributed to the using up of shareholders' equity. The equity-to-asset ratio declined from 89 % to 85 %. As of the cut-off date, the impairment test had not led to any change in the capitalized goodwill.

Changes in assets and capital structure

in T€	31.12.2002	31.03.2003	Change
Assets			
Long-term investments	3,802	3,274	-14 %
Goodwill	9,226	9,226	0 %
Fixed assets	3,821	3,461	-9 %
Current assets	50,230	43,084	-14 %
Total assets	**67,079**	**59,045**	**-12 %**
Liabilities and shareholders'equity			
Shareholders' equity	59,435	49,930	-16 %
Minority Interest	0	261	
Long-term liabilites	2,993	3,069	3 %
Current liabilities	4,651	5,785	24 %
Total liabilities	**67,079**	**59,045**	**-12 %**
Liquidity cover ratio	**71 %**	**71 %**	**0 %**
Equity ratio	**89 %**	**85 %**	**-4 %**

Financial Position

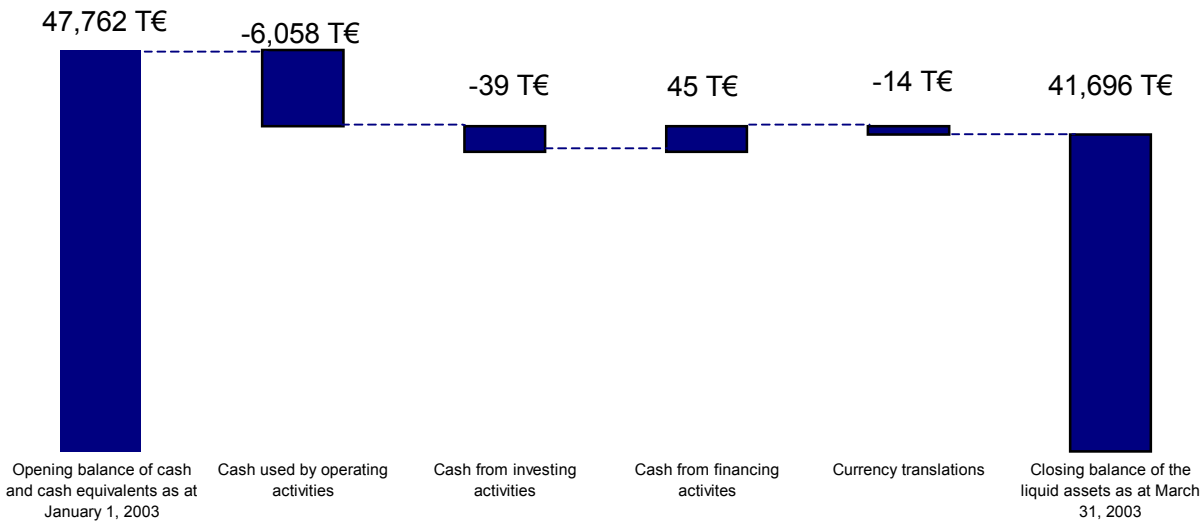
Outflow of Cash from Operating Activities Reduced by 30 %

In the first quarter of 2003 the outflow of cash from operating activities decreased by 30 % from -8,664 T€ to -6,058 T€ as a result of changes within the development portfolio. On the other hand, the outflow of cash increased by 50 % to 6,066 T€ (Q1-2003: 3,036 T€): in the corresponding period of the previous year there had been a non-recurring inflow of cash amounting to 6,000 T€ from investment activity resulting from the sale of securities. A closing balance of cash and cash equivalents amounting to 41,671 T€ was reported as per the cut-off date. MediGene is currently using the resources at its disposal for the development of its drug candidates.

Monthly Net Cash Burn

The change in the cash and cash equivalents and securities reported in the balance sheet gave rise to a net cash burn rate (net cash used in the period under review) of 6,066 T€ in the first quarter, which corresponds to an annual monthly figure of 2,022 T€. In the first quarter of the previous year the corresponding figure was 1,012 T€, including a non-recurring inflow of cash from the sale of securities. In comparison the monthly average net cash burn amounted to 3,257 T€ in the fiscal year 2002.

Development of cash and cash equivalents



Human Resources

As of the end of the quarter, MediGene employed 163 people – 133 in Martinsried (Q1-2002: 126 employees) and 48 at MediGene, Inc. in the USA (Q1 2002: 47 employees). As of the cut-off date, the labor force had increased by 5 %. The average number of employees increased by 9 % in 2002. At the same time, personnel expenses increased by 19 % to 3,670 T€ (Q1-2002: 3,071 T€).

Average number of employees

	Q1-2002	Q1-2003	Y-2002
MediGene AG	121	128	127
MediGene, Inc.	41	48	49
Total	**162**	**176**	**176**
HPV-indications	22	21	23
Oncology	51	49	52
Cardiology	25	27	27
Intersegment	64	79	74
Total	**162**	**176**	**176**

Personnel expenses

in T€	3M-2002	3M-2003	Change
Total	**3,071**	**3,670**	**19 %**

MAJOR EVENTS SINCE END OF PERIOD UNDER REVIEW

In April 2003, MediGene was granted another patent for its rAAV technology by the US Patents and Trademarks Authority; the rAAV technology could constitute the basis for new drugs for treating life-

threatening and chronic diseases. rAAV technology is based on recombinant (i. e. genetically altered) adeno-associated viruses (rAAV), which are developed as tools for transmitting therapeutic genes. The newly granted US patent no. 6,541,012 protects a specific biological component that is used to produce rAAVs. MediGene AG has thus further strengthened its broad patent portfolio in the rAAV field. MediGene holds seven patents for the protection of rAAV technology in the USA, as well as further patents granted and pending on the most important markets in the world.

FORECAST

Overall Conditions for Current Fiscal Year

Our assessments of the overall economic conditions and the trend in our sector have not changed since the Annual Report for 2002.

Compared to the fiscal year ended on December 31, 2002 no changes concerning fundamental risks to the future of MediGene were reported.

Marketing of Leuprogel® Commences

The approval and the market launch of Leuprogel® in 2003 are two important milestones on the way to becoming a fully integrated biopharmaceuticals company. We are confident that we can launch Leuprogel® on the market before the end of this year. With this purpose in mind, MediGene expanded its Marketing division in 2002 and launched pre-marketing activities for Leuprogel®. We will continue with these activities. The conclusion of a marketing partnership is another of our major goals. The negotiations with potential partners that began in 2002 should be concluded successfully in 2003. We expect to generate our first income for Leuprogel® in 2003 within the framework of a marketing agreement. In the USA, Atrix has completed the clinical studies for the Four-Month Leuprogel® product and been granted approval for it; another product, the Six-Month formulation, is still undergoing clinical tests. MediGene has the option of acquiring licenses for the marketing of both products in Europe.

Expected Progress in the Clinical Development of our Drug Candidates

We began the final clinical phase 3 study for Polyphenon® E ointment in September 2002. If the study proceeds successfully, we expect to apply for marketing approval in 2005; if it is then approved, the product could be launched on the market at the end of 2006. It is likely that Polyphenon® E-ointment will be marketed within the framework of a strategic partnership, for which we are already holding the first preliminary talks with potential partners.

The drug candidates G207 and NV1020 are being developed by our subsidiary MediGene, Inc. in the USA. Whilst the phase 1b/2 study for G207 is scheduled to be terminated in 2003, we are expecting the more advanced phase 1b/2 study for NV1020 to commence during the year.

In March, MediGene and its partner Schering discontinued the development of the CVLP tumor vaccine. For MediGene, the ending of the cooperation on grounds of lower cooperation income in 2003 represents additional expenses of around 500 T€, which the company will offset with suitable cost saving measures.

We are expecting the clinical phase 1/2 study for the rAAV tumor vaccine to be completed in 2003.

Loss to be Reduced

In 2003, we expect to reduce the net loss for the year to around 30 million €. In making this forecast, we are assuming that we will earn our first income from the marketing of Leuprogel®. At the same time, the spin-off of the cardiology research program should lead to significant cost savings; we expect to see a moderate increase in R&D costs in the oncology and HPV indications segments.

Balance Sheet
as of March 31, 2003 and December 31, 2002

in T€	Dec. 31, 2002 audited	March 31, 2003 unaudited
Assets		
A. Current assets		
I. Cash and cash equivalents	47,762	41,696
II. Accounts receivable	1,027	60
III. Inventories	492	389
IV. Prepaid expenses and other current assets	949	939
Total current assets	**50,230**	**43,084**
B. Long-term assets		
I. Property, plant & equipment	3,686	3,342
II. Intangible assets	135	119
III. Goodwill	9,226	9,226
IV. Investments	3,443	3,015
V. Loans	187	92
VI. Other assets	172	167
Total long-term assets	**16,849**	**15,961**
Total assets	**67,079**	**59,045**
Liabilities and shareholders' equity		
A. Current liabilities		
I. Current portion of capital lease obligation	401	352
II. Trade accounts payable	1,128	1,480
III. Accrued expenses	2,526	3,397
IV. Deferred income	103	0
V. Other current liabilities	493	556
Total current liabilities	**4,651**	**5,785**
B. Long-term liabilities		
I. Long-term debt less current portion	2,650	2,792
II. Capital lease obligation less current portion	277	209
III. Pension accrual	32	34
IV. Other long-term liabilities	34	34
Total long-term liabilities	**2,993**	**3,069**
C. Minority interest (1)	**0**	**261**
D. Shareholders' equity		
I. Share capital Number of shares issued and outstanding: December 31, 2002: 11.206.205 March 31, 2003: 11.206.205	11,206	11,206
II. Additional paid-in capital	218,142	218,170
III. Accumulated deficit	-168,882	-177,919
IV. Accumulated other comprehensive income	-1,031	-1,527
Total shareholders' equity	**59,435**	**49,930**
Total liabilities and shareholders' equity	**67,079**	**59,045**

US-GAAP
The accompanying notes are an integral part of the consolidated financial statements.
Totals may vary due to rounding

Consolidated Income Statements
for the periods from January 1 to March 31, 2003 and 2002

in T€	Q1-2002 unaudited	Q1-2003 unaudited
1. Other operating income	**897**	**784**
2. Selling expenses	-395	-342
3. General and administrative expenses	-1.301	-2.011
4. Research and development expenses	-8.185	-7.385
5. Depreciation on intangible and fixed assets	-317	-335
6. Operating loss	**-9.301**	**-9.289**
7. Interest income and expenditures	641	254
8. Foreign currency exchange gains/losses	-1	-2
9. Result before income tax	**-8.661**	**-9.037**
10. Tax	0	0
11. Net loss	**-8.661**	**-9.037**
Per share data in €:		
Basic and diluted net loss	-0,77	-0,81
Weighted average number of shares outstanding	11.201.884	11.206.205

The number of shares used in calculating the diluted net loss per share is the same as calculating the basic net loss per share without consideration of potential dilution 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 576.233 as of March 31, 2003.

US-GAAP
Totals may vary due to rounding

Consolidated Changes in Shareholders' Equity

for the periods from January 1, 2002 to March 31, 2003

	Shares	Share capital	Capital-reserves	Accumu-lated losses	Other compre-hensive income	Total sharehol ders' equity
	Number	T€	T€	T€	T€	T€
Balance 31.12.2001, audited	**11,198,637**	**11,199**	**217,995**	**-130,012**	**1,224**	**100,406**
Net loss for the period				-8,661		-8,661
Other comprehensive income					647	647
Currency translation adjustments					20	20
Comprehensive income						**-7,994**
Stock options exercised	6,493	6	36			42
APB No. 25 Expenses on new options/bonds			29			29
Balance 31.03.2002, unaudited	**11,205,130**	**11,205**	**218,060**	**-138,673**	**1,891**	**92,483**
Balance 31.12.2002, audited	**11,206,205**	**11,206**	**218,142**	**-168,882**	**-1,031**	**59,435**
Net loss for the period				-9,037		-9,037
Other comprehensive income					-428	-428
Currency translation adjustments					-68	-68
Comprehensive income						**-9,533**
APB No. 25 Expenses on new options/bonds			28			28
Balance 31.03.2003, unaudited	**11,206,205**	**11,206**	**218,170**	**-177,919**	**-1,527**	**49,930**

US-GAAP
Totals may vary due to rounding

Consolidated Cash Flow Statements
for the periods from January 1 to March 31, 2003 and 2002

in T€	Q1-2002 unaudited	Q1-2003 unaudited
Cash flow from operating activities		
Net loss for the period	-8,661	-9,037
Adjustments:		
APB 25 Expense on new options/bonds	29	28
Minority interest	0	242
Depreciation	317	335
Losses on sales of property, plant & equipment	3	0
Changes in:		
Inventories	-112	102
Other assets and prepaid expenses	-373	1,077
Trade accounts payable	-211	352
Accruals	350	881
Other liabilities and deferred income	-7	-38
Net cash used by operating activities	**-8,664**	**-6,058**
Cash flow from investing activities		
Purchase of property, plant & equipment	-224	-39
Sales of property, plant & equipment	0	0
Disposal of securities	6,000	0
Net cash from investing activities	**5,776**	**-39**
Cash flow from financing activities		
Proceeds from stock options	42	0
Proceeds from minority interest	0	19
Repayments of/Proceeds from loans	-76	142
Principal payments under finance lease obligations	-118	-116
Net cash from financing activities	**-152**	**45**
Currency translation	4	-14
Decrease in cash and cash equivalents	**-3,036**	**-6,066**
Cash and cash equivalents at beginning of period	80,843	47,762
Cash and cash equivalents at end of period	**77,807**	**41,696**

Supplementary schedule of non-cash financing activities:

Like in the reference period 2002 no new leasing obligations were incurred for laboratory and office equipment during the first quarter of 2003.

US-GAAP
Totals may vary due to rounding

Segment Reporting

MediGene is active in Germany and the United States.

Segment reporting by region

in T€	Germany 3M-2002	USA 3M-2002	Germany 3M-2003	USA 3M-2003
Other operating income	897	0	784	0
R&D expenses	-5,439	-2,746	-5,191	-1,741
Depreciation	-189	-128	-215	-120
EBIT	-5,829	-3,472	-6,658	-2,631
Investments*	114	110	33	6
Cash flow (from operating activities)	-5,642	-2,784	-3,911	-2,251
Assets	97,051	3,353	57,036	2,009
Liabilities and shareholders' equity	5,944	1,977	7,703	1,151
Average number of employees	121	41	128	48

* The investments include capital lease investments.

The company is active in the HPV-indications, oncology and cardiology market segments. In these segments, drugs are developed using various technologies that are classified as follows:

HPV-indications: CVLP Technology
Drugs:
- Polyphenon® E-ointment for the treatment of genital warts
- CVLP tumor vaccine against cervical carcinoma and its precursor stages

Oncology: rAAV technology, HSV technology
Drugs:
- Leuprogel® for the treatment of advanced prostate cancer
- rAAV tumor vaccine against malignant melanoma
- G207 for the treatment of brain tumors
- NV1020 for the treatment of liver metastases

Cardiology: ITD technology platform
Drugs:
- Etomoxir for the treatment of congestive heart failure (up to June 2002)

Segment reporting by market segment

in T€	HPV-indications	Oncology	Cardiology	Intersegment	Total
3M-2003					
Other operating income	321	398	58	7	784
Selling expenses	-4	-2	0	-336	-342
General and administrative expenses	0	0	0	-2,011	-2,011
R&D expenses	-2,210	-2,234	-1,766	-1,175	-7,385
Depreciation	-70	-111	-62	-92	-335
Operating loss	-1,963	-1,949	-1,770	-3,607	-9,289
Investments*	0	3	0	36	39
Average number of employees	21	49	27	79	176
3M-2002					
Other operating income	349	503	27	17	897
Selling expenses	-15	-34	0	-346	-395
General and administrative expenses	0	0	0	-1,301	-1,301
R&D expenses	-1,905	-3,514	-1,960	-806	-8,185
Depreciation	-69	-120	-53	-75	-317
Operating loss	-1,640	-3,164	-1,985	-2,511	-9,301
Investments*	1	99	57	67	224
Average number of employees	22	51	25	64	162

* The investments also include capital lease investments.

Selected Information on the Notes

These unaudited consolidated financial statements were drawn up in compliance with the accounting principles for interim reports that are generally accepted in the United States of America (US-GAAP). The Management Board of the company believes that the present quarterly financial statements reflect all of the adjustments that are required for the presentation of the assets, financial and earnings position at the end of the periods that expired in March 2002 and 2003. All of these adjustments are of a customary nature.

The present quarterly financial statements should be read in connection with the annual financial statements for 2002 and 2001. If changes are not referred to explicitly, the remarks provided therein also apply to the quarterly financial statements and are no longer included.

A) Accounting and Valuation Principles

New Accounting Principles

Effective from January 1, 2003, the following SFAS [2)] regulations published by FASB [1)] must be applied: no. 143 »Accounting for obligations associated with the retirement of long-lived assets«, no. 146 »Accounting for costs associated with exit or disposal activities«, no. 147 »Acquisitions of certain financial institutions«, no. 148 »Accounting for stock-based compensation – transition and disclosure – an amendment of SFAS [2)] 123«, FIN [3)] 45 »Guarantor's accounting and disclosure requirements for guarantees, including indirect guarantees of indebtedness of others« und FIN 46 »Consolidation of variable interest entities«. Interpretation 45 requires a guarantor to carry a liability amounting to the current value of the obligation that was incurred as a result of granting the guarantee. According to FIN 46 assets, liabilities and results of corporations, in which the company holds a majority interest ("Variable Entity"), have to be consolidated. Due to a loan of 472 T€ LARNAX GmbH is considered a variable entity and consolidated into MediGene's figures.

B) Consolidation

In addition to MediGene AG, Martinsried, and the fully owned subsidiary MediGene, Inc., San Diego, LARNAX GmbH, Martinsried has been integrated fully (100 %) into the reporting entity since March 31, 2003 in accordance with FIN 46 (cf. C: Notes to Balance Sheet) and is reported as a minority interest.

C) Notes to Balance Sheet (p. 19)

(1) Minority Interest

On March 31, 2003, MediGene AG, together with the seed-financing affiliated company Bio^{M} AG, founded LARNAX GmbH for the purpose of discovering and developing new active ingredients for the treatment of cardiac and metabolic diseases. The essence of LARNAX GmbH is MediGene's cardiology research program, which devolved upon the new company on April 1, 2003. MediGene holds almost 25 % of the shares in LARNAX GmbH.

1) Financial Accounting Standards Board
2) Statements of Financial Accounting Standards
3) FASB Interpretation

Information on Changed Estimates

In the first quarter of 2003 the Management Board did not make any changes to its estimates and assumptions that influence the income, expenses, assets, liabilities and contingencies specified in the financial statements on the balance sheet reporting date.

Changes in Management and Supervisory Organs

There were no changes in the management and supervisory organs in the first quarter of 2003.

„Directors Holdings“ and notes on shares held by members of the Supervisory Board, the Executive Board and employees in accordance with § 160 Para. 1 No. 2 and 5 AktG (Stock Corporation Act)

Members	No. of shares 3M-2002	No. of shares 3M-2003	No. of options 3M-2002	No. of options 3M-2003	No. of CB*) 3M-2002	No. of CB*) 3M-2003
Prof. Dr. Ernst-Ludwig Winnacker Supervisory Board Chairman, Co-founder	292,676	292,676	38,700	38,700	1,600	2,400
Dr. Helmut Schühsler Supervisory Board Deputy Chairman	25,940	25,940	6,880	6,880	1,200	1,800
Prof. Dr. Dr. Ernst-Günter Afting Supervisory Board member	11,217	11,217	15,370	15,370	800	1,200
Dr. Pol Bamelis Supervisory Board member	330	1,000	0	0	400	800
Prof. Dr. Michael Hallek Supervisory Board member	275,091	275,091	5,590	5,590	800	1,200
Michael Tarnow Supervisory Board member	6,337	6,337	0	0	20,400	25,800
Total Supervisor Board	**611,591**	**612,261**	**66,540**	**66,540**	**25,200**	**33,200**
Dr. Peter Heinrich Chief Executive Officer, Co-founder	499,500	499,880	36,636	36,636	41,000	41,000
Dr. Johanna Holldack Chief Operating Officer	0	0	43,000	43,000	37,500	37,500
Alexander Dexne Chief Financial Officer	0	0	0	0	0	0
Total Executive Board	**499,500**	**499,500**	**79,636**	**79,636**	**78,500**	**78,500**
Shareholders' equity MediGene AG	**0**	**0**	**0**	**0**	**0**	**0**

*) Convertible bonds

(status as at March 31, 2003 and 2002)

OTHER NOTES

Contingencies and Other Financial Obligations

As of March 31, 2003 there existed a rental guaranty amounting to 171 T€. No contingencies were entered into for the benefit of members of the executive organs.

The future minimum payments for capitalized leased objects and the future annual minimum lease installments for operational leasing are as follows:

in T€	Capital lease	Operating lease
2003 (April – December)	310	1,171
2004	229	1,356
2005	62	931
2006	0	11
after	0	1
Minimum leasing obligations	**601**	**3.470**
Less interest amount	-40	
Total capital lease obligations	**561**	
Short-term obligations	352	
Long-term obligations	209	

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Financial calendar 2003/2004

June, 4
Annual shareholders' meeting,
Forum Hotel, Munich

August, 13
6-months report
Press and analysts phone conference call

October, 8
R&D day for journalists at MediGene

October, 9
R&D day for analysts at MediGene

November, 12
9-months report
Press and analysts phone conference call

2004

March, 24
Annual report 2003
Press and analysts conference

...we are looking forward to speaking with you