6-Months Report 2004

A leading German biotech company

First drug on the market

Novel cancer drug candidates

Reaching the Market

MediGene

MediGene's Pipeline of Innovative Anti-Tumor Drugs

Products	Diseases	Pre-clinical	Clinical Phases			Approval	Market Potential[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 (Glioblastoma)		[5]				> 300
	Prostate Cancer Liver Cell Cancer						> 500
Chance of Reaching the Market:		0 - 10 %	10 – 30 %	40 – 60 %	60 – 80 %	90 %	

[1] Annually; maximum sales potential. MediGene will receive royalties from sales of products jointly developed or marketed with biotech or pharmaceuticals companies.

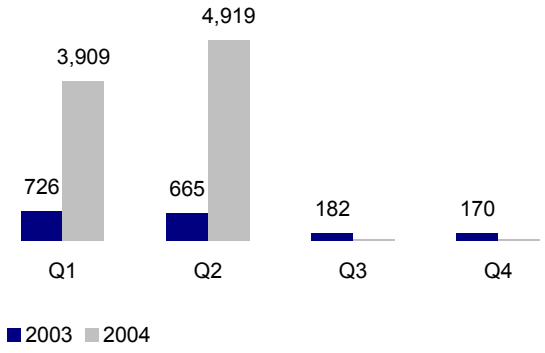
[2] Marketing partnership with Yamanouchi
[3] Precursor of a specific type of skin cancer
[4] Phase 1/2 in preparation
[5] Project plan under review

Inhalt

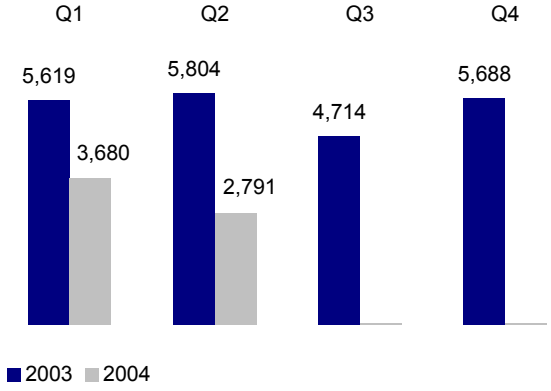
Key Figures 6-Months Report 2004

		Q2-2003	Q2-2004	Change	H1-2003	H1-2004	Change
Total revenue	T€	665	4,919	640 %	1,391	8,830	535 %
Cost of sales	T€	0	3,225	-	0	3.253	-
R&D expenses	T€	5,804	2,791	-52 %	11,423	6,471	-43 %
Net loss from continued operations	T€	-8,170	-2,725	-67 %	-15,689	-3,951	-75 %
Personnel expenses from continued operations	T€	2,941	1,972	-33 %	6,251	4,064	-35 %
Employees in continued operations (as at June 30)	Number	141	103	-27 %	141	103	-27 %
Cash used from/by operating activities	T€	-7,103	-4,896	-31 %	-13,161	-4,297	-67 %
Cash used from/by investing activities	T€	-36	-16	-56 %	-75	-69	-8 %
Cash flow from/by financing activities	T€	383	-255	-167 %	428	15,743	-
Cash and cash equivalents at end of period	T€	34,872	32,815	-6 %	34,872	32,815	-6 %
Net loss per share from continued operations	€	-0.71	-0.29	-60 %	-1.36	-0.29	-79 %

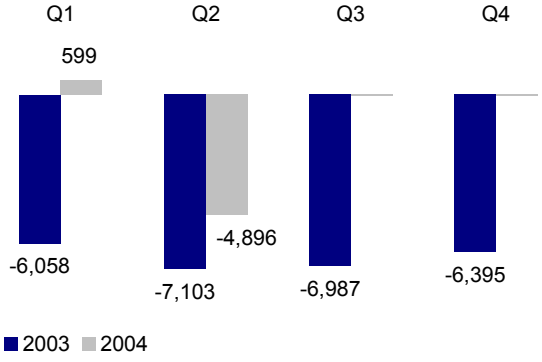
Total Revenues
in T€



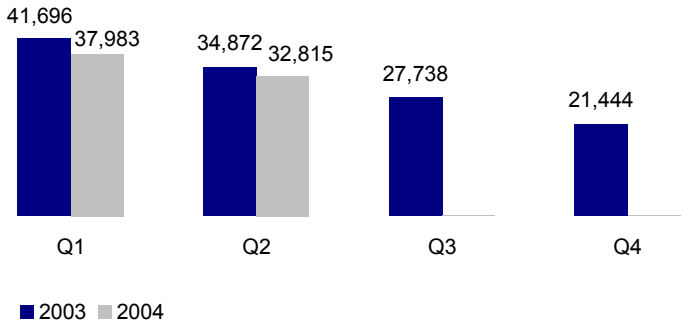
R & D Expenses
in T€



Cash Flow From / Used by Operating Activities
in T€



Cash and Cash Equivalents
in T€



Overview of the Second Quarter 2004

- **On April 29, 2004, MediGene initiated a phase 2 clinical trial of the Polyphenon® E Ointment in the indication actinic keratosis (precursor of skin cancer).** The results are expected in the first half of 2005. The extension of clinical development of the ointment to actinic keratosis will increase the maximum annual sales potential of Polyphenon® E Ointment by approx. 200 million € to more than 300 million €.

- **Early May, Eligard® was launched as MediGene's first drug.** This makes MediGene the first German biotech company with a drug in the market. The Japanese pharmaceuticals group Yamanouchi has taken on the commercialization of the prescription drug Eligard® for the treatment of advanced prostate cancer.

- **MediGene's annual shareholders' meeting was held on June 2, 2004. The Supervisory Board was elected as follows:** Prof. Dr. Ernst-Ludwig Winnacker, President of the Deutsche Forschungsgemeinschaft (German Research Foundation), was confirmed in the Chairman's office. Prof. Dr. Norbert Riedel, Executive Board Member at Baxter International, has been appointed Deputy Chairman of the Supervisory Board. Dr. Manfred Scholz, Managing Director at Augsburg Airways GmbH & Co. KG, Augsburg, was newly elected Supervisory Board Member. Dr. Scholz replaces Prof. Dr. Dr. Afting who has resigned from office. Mr. Sebastian Freitag, investment banker, Frankfurt/Main was elected substitute member. Apart from that, the shareholders' meeting gave its majority consent to all requests by the administration listed on the agenda.

- **End of June, MediGene has closed a license agreement with the University of Chicago. This will enable MediGene to increase the development opportunities of its HSV technology, further expanding its leading patent portfolio in the area of HSV.** This contract secures MediGene's access to a technology that has the potential to further increase the efficiency of MediGene's cancer-killing (oncolytic) herpes simplex viruses and expand their range of applications. The license covers a specific method of directing herpes simplex viruses (HSV) towards specific cells, thus facilitating the selective infection and destruction of tumor cells. Along with the license, MediGene acquires all commercial rights to these HSV versions for which a patent application has been filed (WO 04/033639).

Selected Corporate News from the First Six Months of 2004

- **Early January, MediGene concluded a partnership with the pharmaceuticals group Yamanouchi for the pan-European commercialization of Eligard®.** MediGene receives successive milestone payments totaling up to 23.5 million €, including a signing fee of 4 million €. In addition, MediGene receives royalties on sales of Eligard®.

- **End of January, MediGene received marketing authorization for Germany for the three-months sustained release product of Eligard® for the treatment of advanced prostate cancer.** As part of the agreement with Yamanouchi, MediGene received a milestone payment for obtaining this approval.

- **In February, MediGene completed patient recruitment for the American clinical phase 3 trial of the Polyphenon® E Ointment on schedule.** This will allow a timely completion of the trial by the end of this year. End of March 2004, MediGene had reported the successful completion of a comparable European clinical trial.

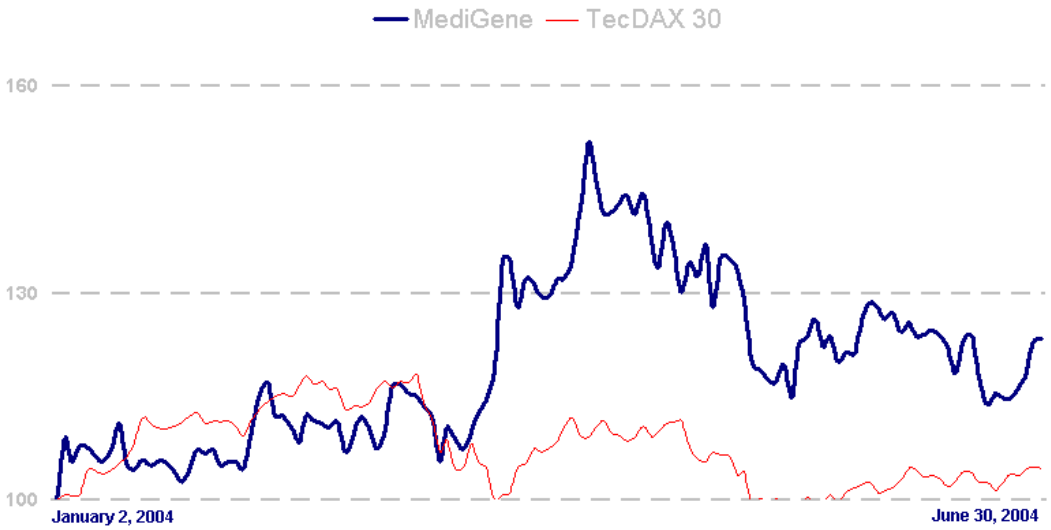
- **In March, MediGene successfully closed a three-step capital increase with gross proceeds from the issue of new shares of 16.7 million €.** The share capital was increased by 20 % to 13,474,032 common stock.

- **End of March, MediGene announced preliminary positive results achieved in a European clinical phase 3 trial of the Polyphenon® E Ointment for the treatment of genital warts.** Along with the results of this trial, the data from the still ongoing American phase 3 trial will be the prerequisites for the marketing authorization for Polyphenon® E- Ointment. The pooled results of both trials are expected at the end of 2004.

Our Share

The MediGene Share Price

(January 2, 2004 6,06 € indexed to 100)



Key Figures for the Share

		H1-2003	H1-2004
6 months high	€	5.24	8.19
6 months low	€	2.55	6.06
Price at beginning of the year	€	4.05	6.06
Average price since beginning of the year	€	3.33	6.76
Closing price	€	4.04	7.85
Number of shares as of June 30		11,206,205	13,474,232
Average number of shares		11,206,205	12,907,175
Average market capitalization	million €	37.3	87.3
Average daily trading volume	in shares	79,643	88,307

Interim MD&A 6M-2004

- **Revenues increased from 1.5 million € to 8.8 million €**
- **Net loss reduced from -17.4 million € to -4.0 million €**
- **Cash used by operating activities improved from -13.1 million € to -4.3 million €**
- **Cash position 32.8 million €**
- **Forecast 2004 raised: Sales from 8.0 million € to12.0 million €; net result from -15.0 million € to -14.0 million €**
- **Cooperation with Aventis for the development of a rAAV-tumor vaccine terminated**

PRELIMINARY NOTES

Early May 2004, Eligard® was MediGene's first drug to be launched. Thus MediGene now generates revenues from the commercialization of a drug for the first time. In addition, MediGene has initiated comprehensive 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. For this reason we will not report individual segments.

Cooperation with Aventis terminated

MediGene and Aventis decided to discontinue their partnership for the development of a vaccine for the treatment of malignant melanoma. Under this partnership, a clinical phase 1 trial in the indication "malignant melanoma" was conducted in some selected European countries. In the opinion of both companies, this initial trial did not show results that would justify further development. Especially the production of the vaccine tailored to the individual patient turned out to be difficult. In 2000, MediGene obtained a loan in order to cover the costs accruing within the joint project. As of closing date June 30, 2004, this loan amounted to 3,284 T€ (compare page 15, Consolidated Balance Sheet, Short-term debt and current portion of long-term debt). MediGene is now committed to repayment of the loan in twelve equal monthly installments, beginning in August 2004.

CONSOLIDATED INCOME STATEMENT

Revenues and Other Operating Income

In the reporting period, total revenues increased from 665 T€ (Q2-2003) to 4,919 T€ (Q2-2004), and from 1,391 T€ (6M-2003) to 8,830 T€ (6M-2004). 4,781 T€ (Q2-2004) or 8,639 T€ (6M-2004) thereof 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 with the Japanese pharmaceuticals group Yamanouchi. In the second quarter of 2004, MediGene gained revenues from the sale of Eligard® for the first time. MediGene's partner Yamanouchi had launched Eligard® in May 2004. In

addition to an upfront payment totaling 4 million € partially recognized as revenue, milestone payments were received, due upon the marketing authorization for Germany of the three-months sustained release product of Eligard®, and upon the launch of Eligard® in Germany.

Group Profit and Loss Account (Abbreviated)

in T€	Q2-2003 unaudited	Q2-2004 unaudited	Δ	H1-2003 unaudited	H1-2004 unaudited	Δ
Total revenues	**665**	**4,919**	**640 %**	**1,391**	**8,830**	**535 %**
Cost of goods	0	3,225	-	0	3,253	-
Gross profit	**665**	**1,694**	**155 %**	**1,391**	**5,577**	**301 %**
General, administrative and selling expenses	2,198	1,354	-38 %	4,551	2,599	-43 %
Research and development expenses	5,804	2,791	-52 %	11,423	6,471	-43 %
EBITDA	**-7,337**	**-2,451**	**-67 %**	**-14,583**	**-3,493**	**-76 %**
Depreciation	833	274	-67 %	1,106	457	-59 %
EBIT	**-8,170**	**-2,725**	**-67 %**	**-15,689**	**-3,950**	**-75 %**
Net loss from continued operations	**-7,965**	**-2,584**	**-68 %**	**-15,232**	**-3,713**	**-76 %**
Result from discontinued operations	-675	-19	-97 %	-2,445	-300	-88 %
Net loss	**-8,380**	**-2,603**	**-69 %**	**-17,417**	**-4,013**	**-77 %**

Other operating income in the second quarter of 2004 was 138 T€ (Q2-2003: 665 T€), or 191 T€ in the first six months of the year (H1-2003: 1,391 T€). This equals the refunding of research and development costs accruing to MediGene within the framework of a joint development project with the pharmaceuticals group Aventis. In the corresponding reporting periods of last year, additional income from a partnership with Schering had been posted.

Cost of Sales

In the reporting periods, cost of sales amounted to 3,225 T€ (Q2-2004), or 3,253 T€ (H1-2004). This includes, in addition to a milestone payment made to Atrix, the cost of purchase of Eligard® as well as a participation of Atrix in the sales revenue.

Gross Operating Result

In the second quarter, the gross operating result was 1,694 T€ (Q2-2003: 665 T€), or 5,577 T€ in the first six months (H1-2003: 1,391 T€).

General, Administrative and Selling Expenses

On a quarterly basis, MediGene has reduced general, administrative and selling expenses by 38 %, from 2,198 T€ to 1,354 T€. This amount is composed of 312 T€ selling expenses (Q2-2003: 351 T€) and 1,042 T€ general and administrative expenses (Q2-2003: 1,847 T€). Comparing the first six months of the two years, general, administrative and selling expenses decreased by 43 % from 4,551 T€ to 2,599 T€. The disproportionate reduction of general administrative expenses is a consequence of the cost-cutting measures initiated in 2003. Moreover, the 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 second quarter were reduced by 52 % to 2,791 T€ compared to last year's second quarter (Q2-2003: 5,804 T€). Compared to the first six months of 2003, R&D expenses were reduced by 43 % , from 11,423 T€ to 6,471 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.
After MediGene had received marketing authorization for Germany for the one-month and three-months products of Eligard®, the drug was launched on the German market by MediGene's partner Yamanouchi in early May.
During the first six months of this year, Polyphenon® E Ointment was undergoing pivotal 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 the first quarter 2004, MediGene had already reported positive results of the European trial. More than 500 patients participated in this statistically significant trial. The results of the ongoing American phase 3 trial are expected by the end of 2004.
End of April 2004, MediGene initiated a phase 2 trial of Polyphenon® E Ointment for the treatment of actinic keratosis (precursor of skin cancer). The results are expected in the first half of 2005. The extension of clinical development of the ointment to actinic keratosis will increase the maximum annual sales potential of Polyphenon® E Ointment by approx. 200 million € to more than 300 million €.
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 developed a tumor vaccine to treat malignant melanoma until midyear. MediGene and Aventis have decided to discontinue their partnership.

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

On a quarterly basis, depreciation dropped by 73 % to 203 T€ (Q2-2003: 750 T€). Compared to the first six months 2004, depreciation decreased by 62 % to 386 T€ (H1-2003: 1,022 T€). In the course of the liquidation of the cardiology segment, depreciation of 13 T€ accrued (Q2-2004), and 192 T€ (H1-2004) respectively. 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€	Q2-2003 unaudited	Q2-2004 unaudited	Δ	H1-2003 unaudited	H1-2004 unaudited	Δ
of fixed assets incl. intangibles	750	203	-73 %	**1,022**	**386**	-62 %
of capitalized leased items	83	71	-14 %	84	71	-15 %
Total	**833**	**274**	**-67 %**	**1,106**	**457**	**-59 %**
Discontinued operations	62	13	-79 %	125	192	54 %
Total	**895**	**287**	**-68 %**	**1,231**	**649**	**-47 %**

EBITDA

Earnings before interest, tax, depreciation and amortization (EBITDA) improved by 67 % to -2,451 T€ (Q2-2003: -7,337 T€), and by 76 % to -3,493 T€ (H1-2003: -14,583 T€) respectively. This significant improvement in EBITDA results from the increase in total revenues, accompanied by a decline in expenditure for general administration and R&D.

EBIT

Operating loss before interest and tax (EBIT) decreased by 67 % to -2,725 T€ (Q2-2003: -8,170 T€), and by 75 % to -3,950 T€ (H1-2003: -15,689 T€).

Financial Result

Compared to last year's reporting periods, the financial result declined by 31 % to 141 T€ (Q2-2003: 204 T€), and by 48 % to 238 T€ (H1-2003: 457 T€). The reduction in interest income resulted mainly from significantly lower interest rate as well as amount invested. Interest expenses incurred by leasing of property, plant & equipment.

Financial Result

in T€	Q2-2003 unaudited	Q2-2004 unaudited	Δ	H1-2003 unaudited	H1-2004 unaudited	Δ
Interest income	216	174	-19 %	502	280	-44 %
Interest expense	-18	-20	11 %	-50	-27	-46 %
Foreign currency exchange gains/losses	6	-13	-317 %	5	-15	-400 %
Total	**204**	**141**	**-31 %**	**457**	**238**	**-48 %**

6-Months Loss from Continued Operations Reduced

Compared to last year's reporting period, MediGene reduced the 6-months loss from continued operations by 76 % to -3,713 T€ (H1-2003: -15,232 T€). On a quarterly basis, the loss was reduced by 68 % to -2,584 T€ (Q2-2003: -7,965 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 from Continued Operations Decreased

Accordingly, the net loss per share from continued operations improved by 73 % from -0.71 € (Q2-2003; weighted average number of shares 11,206,205) to -0.19 € (Q2-2004; weighted average number of shares 11,206,205), and by 79 % from -1.36 € (H1-2003; weighted average number of shares 13,474,132) to -0.29 € (H1-2004; weighted average number of shares 12,907,175).

ASSETS POSITION

Cash Position 32,815 T€; Equity Ratio of 80 %

Compared with the closing date 2003, the balance sheet total has increased by 37 % to 52,420 T€ (December 31, 2003: 38,367 T€). This increase results from the capital increase closed in March 2004, leading to an improved equity ratio of 80 %. The cash position as of June 30, 2004 was increased to 32,815 T€. Apart from the cash inflow of 16.0 million € from the three-step capital increase in March 2004, revenues from the commercialization of Eligard® have also contributed to this. Due to the convertible bonds at a nominal value of 1.5 million € issued within this capital increase, long-term liabilities have increased to 1,529 T€ (December 31, 2003: 285 T€).

Changes in assets and capital structure

in T€	December 31, 2003	June 30, 2004	Δ
Assets			
Long-term investments	4,494	6,706	49 %
Goodwill	9,226	9,226	0 %
Fixed assets	2,265	1,693	-25 %
Cash and cash equivalents	21,444	32,815	53 %
Other current assets	938	1,980	111 %
Total assets	**38,367**	**52,420**	**37 %**
Liabilities and shareholders' equity			
Shareholders' equity	29,220	41,870	43 %
Long-term liabilities	285	1,529	436 %
Current liabilities	8,862	9,021	2 %
Total liabilities	**38,367**	**52,420**	**37 %**
Liquidity cover ratio	**56 %**	**63 %**	**12 %**
Equity ratio	**76 %**	**80 %**	**5 %**

The rise in current liabilities is a consequence of deferred income amounting to 2,286 T€ based on the realization of a payment of 4,000 T€ 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.

Financial Position

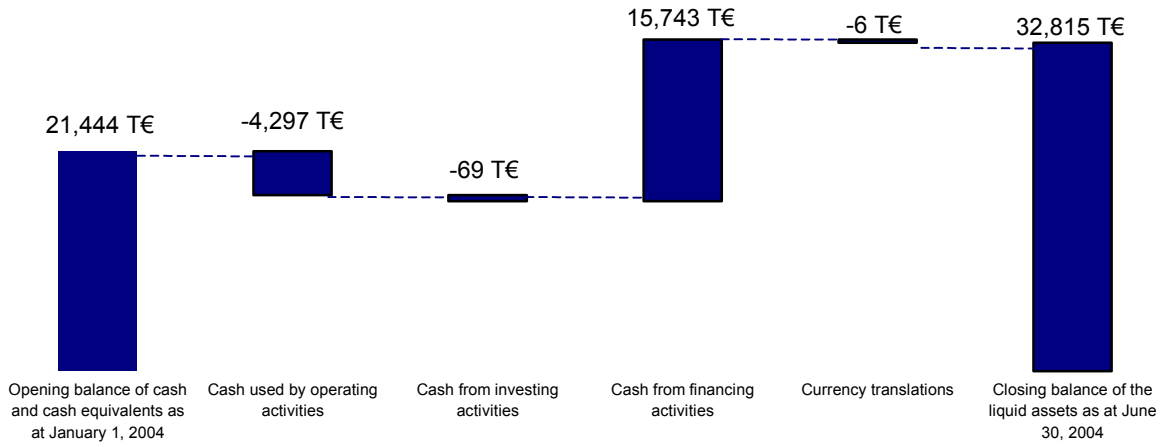
Cash Flow from Successfully Closed Capital Increase

Cash has increased by 11,371 T€ in the first half 2004. This increase is mainly due to the following two factors: firstly, the net loss was reduced by a decline in expenditure, and at the same time income was generated by the commercialization of Eligard® and secondly by the successful realization of a capital increase in March 2004.

Cash outflow by operating activities was 4,297 T€ in the first six months 2004, (H1-2003: cash outflow 13,161 T€). This includes cash inflow of 2,286 T€, posted under other liabilities and deferred income (see balance sheet: "current liabilities"). This sum corresponds 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 15,743 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 (2,245,670 shares) and convertible bonds (1.5 million convertible bonds, corresponding to 200,000 shares; conversion price 7.50 €).

As of closing date, cash and cash equivalents was 32,815 T€. MediGene uses the resources available for the development of drug candidates.

Development of Cash and Cash Equivalents H1-2004



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 11,371 T€ (H1-2003: -12,890 T€) in the first six months of the financial year, which corresponds to an average inflow of 1,895 T€ per month (H1-2003: -2,148 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. Cash used in continued operations amounted to 4,896 T€ (Q2-2003: 7,103 T€), and 4,297 T€ (H1-2003: 13,161 T€) respectively.

Human Resources

As of the closing date June 30, 2004, the number of employees was 103, with 93 at the Martinsried headquarters and 10 at the subsidiary MediGene, Inc., USA. Comparing the six months reporting periods, headcount of the group within continued operations as of closing date was reduced by 38 % to 103 employees.
Compared to last year's reporting period, staff cutback has resulted in a significant reduction in personnel expenses within continued operations, that is to 4,064 T€ (H1-2003: 6,251 T€).

Staff as of June 30, 2004

	H1-2003	H1-2004	Y-2003
MediGene AG	103	93	92
MediGene, Inc.	38	10	20
Total from continued operations	**141**	**103**	**112**
Discontinued operations	24	0	12
Total	**165**	**103**	**124**

Personnel expenses in T€	H1-2003	H1-2004	Verän-derung
Total from continued operations	**6,251**	**4,064**	**-35 %**
Discontinued operations	691	39	-94 %
Total	**6,941**	**4,103**	**-41 %**

Risk Report

MediGene/Yamanouchi Pharma GmbH and Takeda Chemical Industries, Ltd., Wako Pure Chemical Industries, Ltd. and Takeda Pharma GmbH (Takeda/Wako) in patent dispute

Before the launch of Eligard®, MediGene had already filed a suit for invalidity of a patent on defined, high-molecular biodegradable polymers of their competitors Takeda Chemical Industries, Ltd. and Wako Pure Chemical Industries, Ltd. before the Federal Patent Tribunal. After that, Takeda Chemical Industries, Takeda Pharma GmbH and Wako Chemical Industries (Takeda/Wako) have sued the partners MediGene and Yamanouchi Pharma GmbH for patent infringement before the Düsseldorf district court. In this suit they argue that the commercialization of MediGene's and Yamanouchi's drug Eligard® infringes the above mentioned patent of the plaintiffs. In this matter, action for an injunction has already been dismissed by the Hamburg district court. MediGene/Yamanouchi are convinced that there is no patent infringement by the commercialization of Eligard®, and, based on the known facts, MediGene/Yamanouchi expect no legal restrictions on the sale of Eligard® in Germany and Europe. MediGene's conviction is also supported by the fact that Takeda/Wako's corresponding US patent is currently the subject of reexamination proceedings. The US PTO has preliminarily rejected all of the claims of the US patent as invalid.

Major Events Since End of Period under Review

Cooperation with Aventis terminated

MediGene and Aventis decided to discontinue their partnership for the development of a vaccine for the treatment of malignant melanoma. Under this partnership, a clinical phase 1 trial in the indication "malignant melanoma" was conducted in some selected European countries. In the opinion of both companies, this initial trial did not show results that would justify further development. Especially the production of the vaccine tailored to the individual patient turned out to be difficult. In 2000, MediGene obtained a loan in order to cover the costs accruing within the joint project. As of closing date June 30, 2004, this loan amounted to 3,284 T€ (compare page 15, Consolidated Balance Sheet, Short-term debt and current portion of long-term debt). MediGene is now committed to repayment of the loan in twelve equal monthly installments, beginning in August 2004.

There have been no changes in the general setting or company's situation (as at July 31, 2004)

Forecast

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

Polyphenon® E Ointment: Positive 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, 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 carried out 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 positive, statistically significant results of the European part of the trial. Over 500 patients participated in this trial. The results of the second trial are expected by the end of this year.

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

On April 29, 2004, MediGene 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 positive 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 the first half of 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 is intended to verify the efficacy of the therapeutic approach.

MediGene Raises Outlook 2004

As a consequence of the successful launch of Eligard® in Germany, MediGene raises the annual sales forecast from 8 to 12 million €. At the same time the company expects to improve the result to -14 million € (previously -15 million €). This corresponds to a reduction in annual loss by more than 50 % from 30 million in 2003. Cash at the end of the year is estimated to be approx. 25 million €.

Consolidated Balance Sheet
of MediGene AG as of December 31, 2003, and June 30, 2004

in T€		December 31, 2003 audited	June 30, 2004 unaudited
Assets			
A. Current assets			
I. Cash and cash equivalents		21,444	32,815
II. Accounts receivable		79	13
III. Inventories		0	646
IV. Prepaid expenses and other current assets		859	1,321
Total current assets		**22,382**	**34,795**
B. Long-term assets			
I. Property, plant & equipment		2,189	1,632
II. Intangible assets		76	61
III. Goodwill		9,226	9,226
IV. Investments		4,452	6,593
V. Other assets		42	113
Total fixed assets		**15,985**	**17,625**
Total assets		**38,367**	**52,420**
Liabilities and shareholders' equity			
A. Current liabilities			
I. Current portion of capital lease obligation		265	183
II. Short-term debt and current portion of long-term debt	(2)	3,222	3,284
III. Trade accounts payable		1,764	1,175
IV. Accruals		3,342	1,798
V. Deferred income		0	2,286
VI. Other current liabilities		268	295
Total current liabilities		**8,862**	**9,021**
B. Long-term liabilities			
I. Long-term debt less current portion		108	1,420
II. Capital lease obligation less current portion		108	40
III. Pension accrual		35	35
IV. Other long-term liabilities		34	34
Total long-term liabilities		**285**	**1,529**
C. Shareholders' equity			
I. Share capital Number of shares issued and outstanding: December 31, 2003: 11,206,205 June 30, 2004: 13,474,232	(1)	11,206	13,474
II. Additional paid-in capital		218,177	230,431
III. Accumulated deficit		-199,943	-203,956
IV. Accumulated other comprehensive income		-220	1,921
Total shareholders' equity		**29,220**	**41,870**
Total liabilities and shareholders' equity		**38,367**	**52,420**

US-GAAP
Totals may vary due to rounding

Consolidated Income Statements
of MediGene AG for the periods from April 1 to June 30 and from January 1 to June 30, 2003 and 2004

in T€	Q2-2003 unaudited	Q2-2004 unaudited	H1-2003 unaudited	H1-2004 unaudited
1. Product sales	0	4,781	0	8,639
2. Other operating income	665	138	1,391	191
3. Total revenues	**665**	**4,919**	**1,391**	**8,830**
4. Cost of sales	0	3,225	0	3,253
5. Gross profit	**665**	**1,694**	**1,391**	**5,577**
6. Selling expenses	351	312	693	608
7. General and administrative expenses	1,847	1,042	3,858	1,991
8. Research and development expenses	5,804	2,791	11,423	6,471
9. Depreciation	833	274	1,106	457
10. Operating loss (EBIT)	**-8,170**	**-2,725**	**-15,689**	**-3,951**
11. Interest income and expenditures	198	154	452	253
12. Foreign currency exchange gains/losses	7	-13	5	-15
13. Result before income tax	**-7,965**	**-2,584**	**-15,232**	**-3,713**
14. Tax	0	0	0	0
15. Net loss from continued operations	**-7,965**	**-2,584**	**-15,232**	**-3,713**
16. Result from discontinued operations	-675	-19	-2,445	-300
17. Minority interest in discontinued operations	261	0	261	0
18. Net loss for the period	**-8,380**	**-2,603**	**-17,417**	**-4,013**
Per share data in €:				
Result from continued operations ("actual" and "fully diluted")	-0.71	-0.19	-1.36	-0.29
Result including discontinued operations	-0.75	-0.19	-1.55	-0.31
Weighted average number of shares outstanding	11,206,205	13,474,132	11,206,205	12,907,175

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 908,290 as of June 30, 2004, and 497,943 as of June 30, 2003.

US-GAAP
Totals may vary due to rounding

Consolidated Changes in Shareholders' Equity

of MediGene AG for the periods from January 1, 2003 until June 30, 2004

	Shares	Share capital	Capital reserves	Accumu-lated losses	Other comprehen-sive income	Total share-holders' equity
	no.	T€	T€	T€	T€	T€
Balance January 1, 2003, audited	**11,206,205**	**11,206**	**218,142**	**-168,882**	**-1,031**	**59,435**
Net loss for the period				-17,417		-17,417
Unrealized profit from Atrix shares					1,057	1,057
Currency translation adjustments					-188	-188
Comprehensive income						**-16,548**
Exercised options / bonds						0
APB No. 25 Expenses on new options / bonds			33			33
Balance June 2003, unaudited	**11,206,205**	**11,206**	**218,175**	**-186,299**	**-162**	**42,920**
Balance January 1, 2004, audited	**11,206,205**	**11,206**	**218,177**	**-199,942**	**-221**	**29,220**
Net loss for the period				-4,013		-4,013
Unrealized profit from Atrix shares					2,141	2,141
Currency translation adjustments					1	1
Comprehensive income						**-1,871**
Shares issued	2,245,670	2,246	11,984			14,230
Exercised options / bonds	22,357	22	267			289
APB No. 25 Expenses on new options / bonds			2			2
Balance June 30, 2004, unaudited	**13,474,232**	**13,474**	**230,430**	**-203,955**	**1,921**	**41,870**

US-GAAP
Totals may vary due to rounding

Consolidated Cash Flow Statements
of MediGene AG for the periods from January 1 to June 30, 2003, and 2004

in T€	Q2-2003 unaudited	Q2-2004- unaudited	H1-2003 unaudited	H1-2004 unaudited
Cash flow from operating activities				
Net loss for the period	-8,380	-2,603	-17,417	-4,013
Adjustments to reconcile net loss to cash used in operating activities:				
APB 25 expenses on new options / bonds	5	1	33	2
Minority interest	0	0	242	0
Minority interest net loss for the period	-261	0	-261	0
Depreciation	896	288	1,231	649
Losses on sales of property, plant & equipment	8	0	8	0
Changes in:				
Inventories	197	-223	300	-646
Other assets and prepaid expensesn	-17	-547	1,060	-467
Trade accounts payable	282	-106	634	-589
Accruals	145	-873	1,026	-1,545
Other liabilities and deferred income	21	-833	-17	2,312
Net cash used by operating activities	**-7,104**	**-4,896**	**-13,161**	**-4,297**
Cash flow from investing acctivities:				
Purchases of property, plant & equipment	-36	-16	-75	-69
Sales of property, plant & equipment	0	0	0	0
Net cash from investing activities	**-36**	**-16**	**-75**	**-69**
Cash flow from financing activities:				
Proceeds from stock options	0	0	0	61
Net proceeds from capital increase	0	-179	0	14,237
Proceeds from minority interest	0	0	19	0
Repayments of / proceeds from loans	502	-5	644	1,595
Principal payments under finance lease obligations	-119	-71	-235	-150
Net cash from financing activities	**383**	**-255**	**428**	**15,743**
Currency translation	-67	-1	-82	-6
Decrease / increase in cash and cash equivalents	**-6,824**	**-5,168**	**-12,890**	**11,371**
Cash and cash equirvalents at beginning of period	41,696	37,983	47,762	21,444
Cash and cash equivalents at end of period	**34,872**	**32,815**	**34,872**	**32,815**

Supplementary schedule of non-cash financing activities:
In the first six months of 2004, no new leasing obligations for new equipment were incurred (H1-2003: 127 T€).

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 June 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 June 30, 2004, MediGene AG owned no other stakes in affiliated companies, affiliated companies or partnerships.

C) Comments on the Balance Sheet (p. 15)

(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 can be converted into 200,000 shares at a conversion price of 7.50 € by shareholders for 1.00 € each. The convertible bonds bear 4 % interest annually during the 4 years to maturity.
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. At the end of the reporting period, the total number of outstanding shares was 13,474,232.

(2) Research and development loan
MediGene and Aventis have decided to discontinue their partnership for the development of a therapeutic vaccine. Within this partnership, MediGene obtained a loan in 2000 to cover the costs accruing in pursuit of the joint project. As of closing date June 30, 2004, this loan amounted to 3,284 T€ (compare page 15, Consolidated Balance Sheet, Short-term debt and current portion of long-term debt). MediGene is now committed to repayment of the loan in twelve equal monthly instalments, beginning in August 2004. Both

companies had come to the conclusion that an initial clinical phase 1 trial in the indication "malignant melanoma" did not lead to results that would justify further development of an allogeneic tumor vaccine.

Board of Directors and Supervisory Board

MediGene's annual shareholders' meeting elected new Supervisory Board members on June 2, 2004. Prof. Dr. Ernst-Ludwig Winnacker, President of the Deutsche Forschungsgemeinschaft (German Resarch Foundation), was confirmed in the Chairman's office. Prof. Dr. Norbert Riedel, Executive Board Member at Baxter International, has been appointed Deputy Chairman of the Supervisory Board. Dr. Manfred Scholz, Managing Director at Augsburg Airways GmbH & Co. KG, Augsburg, was newly elected Supervisory Board Member. Dr. Scholz, who replaces resigning Supervisory Board Member Prof. Dr. Dr. Afting, is also a Supervisory Board Member of the following companies: ASSTEL Lebensversicherung AG, Cologne, Gothaer Lebensversicherungs AG, Göttingen, Westfalenbank AG, Bochum, Pfleiderer AG, Neumarkt and Württembergische Hypothekenbank G, Stuttgart. Mr. Sebastian Freitag, Investment Banker, Frankfurt/Main was elected substitute member.

The Supervisory Board has been elected until the end of the annual shareholders' meeting that decides upon ratification of the Supervisory Board Members for the second financial year following the beginning of their term of office, not including the financial year in which the term of office starts.

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

Members	Shares Y-2003	Shares H1-2004	Options Y-2003	Options H1-2004	CB[1] Y-2003	CB[1] H1-2004
Prof. Dr. Ernst-Ludwig Winnacker Supervisory Board Chairman, Co-founder	292,676	292,676	38,700	38,700	3,200	3,200
Dr. Norbert Riedel Deputy Chairman of the Supervisory Board	2,330	2,330	5,590	5,590	-	0
Dr. Pol Bamelis Supervisory Board Member	1,000	1,000	0	0	1,200	1,200
Dr. Alexandra Goll Supervisory Board Member	0	0	0	0	0	0
Dr. Manfred Scholz Supervisory Board Member	0	155,000	0	0	0	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

(Status as at June 30, 2003 and June 30, 2004)

Other Notes

Contingencies and Other Financial Obligations

As of June 30, 2004, a rental guarantee of 206 T€ existed. Any contingencies for the benefit of organ members have not been assumed.

Annual Shareholder's Meeting 2004

MediGene's annual shareholders' meeting was held on June 2, 2004. The shareholders' meeting gave its majority consent to all requests by the administration listed on the agenda.

Financial Calendar / Imprint

2004

November 10
9-Months Report
Press and analysts phone conference call

2005

March 23
Annual Report 2004
Press and analysts conference

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...we look forward to speaking with you