MediGene

Fair Value: €12.50

initiating coverage → buy

06 | 10 | 04

CONCORD Equity Research

Price (€)	**7,36**
12 Month H/L (€)	9,3 / 5,7

Key Data	
Reuters Code	MDGGN.DE
Bloomberg Code	MDG
Financial Year	31/12
Acc. Standard	US GAAP
Market Cap. (€ m)	113,6
Adj. No. Of Shares (m)	15,4
Free Float (%)	81,8
Av. Daily Trad. Vol. ('000)	25,0

Valuation (x)	**03**	**04e**	**05e**	**06e**
MC/Tot. Sales	66,8	9,4	5,3	3,1
P/E	-2,7	-8,1	-16,5	-63,1
P/E ex Goodwill	-2,7	-8,1	-16,5	-63,1
PEG	0,0	0,1	0,3	1,0
PEG ex Goodwill	0,0	0,1	0,3	1,0
Div. Yield (%)	0,0	0,0	0,0	0,0
EV/Tot. Sales	47,2	7,3	4,3	2,7
EV/EBIT	-2,8	-6,0	-12,4	-46,6

Per Share Data (€)	**03**	**04e**	**05e**	**06e**
EPS	-2,78	-0,91	-0,45	-0,12
IBES-EPS (Mean)	-2,77	-1,17	-0,05	0,12
CEPS	-2,37	-0,72	-0,16	0,12
Net DPS	0,00	0,00	0,00	0,00
BVPS	2,63	1,27	0,83	0,71

Financials (€ m)	**03**	**04e**	**05e**	**06e**
Total Sales	1,7	12,1	21,3	36,5
EBIT	-29,0	-14,8	-7,4	-2,1
EBT	-31,1	-14,0	-6,9	-1,8

Performance (%)	**1m**	**3m**	**6m**	**12m**
Abs. Change	15,5	0,8	4,0	13,5
Chg. Rel. To Index	7,7	2,0	-9,0	0,7

Main Shareholders (%)	
Techno Venture Mgt.	5,54
DEWB	5,26
Dr. Peter Heinrich	3,20
ORBIMED Advisors	3,20
Julius Baer	3,16

Next information

10-11-04: Q3/04 Interim Report

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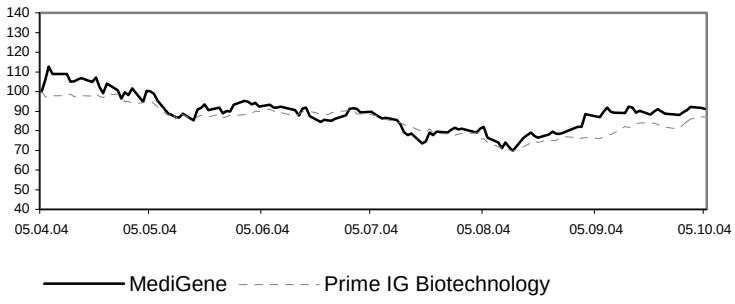
Consistent portfolio risk management and integration of most important operative functions positions MediGene above European average

- Successful market introduction of Eligard® in Germany; more sales to come with introduction in EUTop5 in 2005/06
- Management increases sales guidance by 50% from €8 Mill. to €12 Mill. for FY 2004. This upward correction is realistic; increased annual sales for Eligard® provide an upside momentum in 2004
- Comfortable cash position of ca. €30 Mill. at the end of FY 2004 in parallel with continuing cost reduction and improvement on operating level; consequent and rigorous streamlining of R&D spending
- Portfolio restructuring: discontinuing a project (rAAV) with a high risk proposition; strengthening pipeline by acquiring assets from Munich Biotech
- Q1 and Q2 revenues are still dominated by milestone payments. Q3 and Q4 sales will show the pure distribution results (in absence of milestones), however gross profit will be biased by deferred COGS payments

in Mill. €	Q1/04	Q2/04	Q3/04e	Q4/04e	2004e
Revenues	3,9	4,9	1,6	1,7	12,1
COGS	0,0	3,2	1,3	1,3	5,9
Gross Profit	3,9	1,7	0,3	0,4	6,2

- Ulrich Delvos´ appointment is an enrichment to MediGene´s board - his association strengthens overall know-how and corporate reach

MediGene vs. Prime IG Biotechnology - 6 Months



Source: Thomson Financial Datastream

Table of contents

I. Investment and Business Portrait

1. Evolution of the Corporate profile

MediGene is a technology and product development driven biopharmaceutical company with a strong expertise and leadership position in oncology within Europe. The Company´s business model is based on in-house developing as well as in-licensing/acquisition of drug candidates in order to maintain a balanced product portfolio. Technologies and products are marketed on a partnership basis with strong industry partners, worldwide.

First German Biotech Company to launch a product

The Company´s portfolio consists of products and technologies in all phases of the development process. With Yamanouchi as a prominent distribution partner, MediGene was the first German Biotech company to launch a product. Eligard®, an anti-prostate cancer drug, is distributed on a European scale. This drug was in-licensed from Atrix Laboratories, Inc., in April 2001; a stake of ca. 1% in Atrix stock was acquired with this transaction. For valuation purposes, refer to section X, page 24. MediGene was responsible to translate the US registration into national and European drug regulations for approval. In this context, MediGene performed supplementary preclinical studies to satisfy European authorities.

Well structured and balanced product portfolio

Currently, the following major indications are addressed by MediGene´s pipeline:

Hormone-responsive prostate cancer

HPV-associated skin diseases

Liver metastases of colorectal cancer

In order to maintain a balanced product portfolio, the Company is continuously seeking for new and innovative products and technologies, complementing and optimizing the oncology pipeline. The acquisition of the marketing rights for Eligard® and Polyphenon®E as well as the most recent acquisition of the assets of the German Biotech company *Munich Biotech* confirm our view of this strategy.

Acquisition of Munich Biotech´s assets

Asset deal-Munich Biotech enhances attractiveness of R&D pipeline

- **expensive short-term**
- **good value long-term**

On August 16th, 2004, MediGene announced the acquisition of the cancer drug pipeline and related technologies from Munich Biotech AG, Munich, Germany.

MediGene has acquired all patents on MBT-0206 and the related technology EndoTAG™ and will pay royalties to UCSF. Milestones will be paid to former Munich Biotech, each upon initiation of phase III, regulatory submission, and market launch.; the amount was not disclosed; we believe that it will not exceed €10 Mill. The payment of the milestones is tail-end loaded, i.e. will be

paid in case of success, only, with MediGene baring minimum risk. MediGene will not assume any liabilities of the former Munich Biotech AG.

For the phase II study regarding the first indication, MediGene has budgeted ca. €4 Mill. An announcement of the tumor type to be addressed first can be expected as soon as management have completed their analysis. It is MediGene´s objective to work out a harmonized study design to satisfy both, US and European authorities in parallel.

On September 20th 2004, the Company announced to integrate an experienced group of 13 scientists, formerly employed at Munich Biotech. This clearly demonstrates MediGene´s efforts to accelerate the development of MBT-0206 and future line extensions of EndoTAG-based drugs.

More in-depth information pertaining to products can be found in section III.

The Munich Biotech deal looks quite expensive on a first glance because MediGene´s corporate value was diluted by 12.7% increasing the Company´s burn rate in parallel. The addition of MBT-0206 and the related technology EndoTAG to MediGene´s product portfolio increases the attractiveness of the pipeline. While we do not value compounds in this stage of development, our fair value of MediGene will decrease, the long term value, however, will benefit looking at the market potential for the products emerging thereof (see also section V, para. 2).

2. Business strategy

Enhanced licensing and acquisition acivities

While R&D plays a prominent role in MediGene´s activities, management is more and more concerned about value chain optimization and portfolio risk considerations. In this context, the Company has in-licensed products at advanced development stages: Eligard® and Polyphenon®E.

MediGene has already contracted with a prominent and European wide acting distribution partner for Eligard® ,Yamanouchi. Currently, management are in discussion with potential partners for the marketing and distribution of Polyphenon®E. We expect that the Company will disclose a marketing concept including a partner in the course of 2005.

Most recently, MediGene acquired assets of Munich Biotech; now they further develop one of their most advanced drug candidates. Although this product is mid-stage in the clinical development chain (it has successfully passed phase I) we consider this project as attractive if we take a look at the market potential.

In summary, besides in-house R&D, management is consistently seeking for new and innovative products in an advanced stage of development as well as drug candidates with promising clinical and market potential. Enhanced in- and out-licensing activities, parallel to cooperating with far-reaching distribution partners, are the hallmarks of MediGene as an evolving biotechnology/ biopharmaceutical Company.

II. MediGene´s Operations

1. Corporate Development

Besides MediGene´s R&D resources, a major success component can be attributed to the Company´s organizational structure, which already contains most of the essential functions of an integrated pharmaceutical company.

Realizing opportunities…..

It is especially the know-how MediGene has acquired in the course of its history to constantly screen the market to identify in- and outlicensing opportunities or suitable co-operations. In this context, the most recent acquisition of Munich Biotech is a good example.

The management of distribution partnerships like the one with Yamanouchi is always a challenge for smaller biotech companies. MediGene has successfully demonstrated adequate resources in this context.

2. Regulatory Affairs

…..in combination with proven regulatory know-how…..

We recognize MediGene´s know-how pertaining to regulatory affairs as a major asset for the Company´s future growth. MediGene´s professionals are able to successfully advance products and compounds through all regulatory stages along the development process. Often, delays in receiving a required approval to proceed to next stage are due to regulatory deficiencies on corporate level. With a talented pool of professionals, MediGene has adequate resources in-house to resolve complex issues pertaining to patenting, licensing, regulatory approval, and legal affairs. These value propositions have materialized in a successful in-licensing effort from Atrix Laboratories, which finally led to the launch of Eligard® in the German market.

3. Research & Development

....and thorough management of R&D portfolio reflect consistent integration of most important functions on operative level

R&D at MediGene is not defined as scientific laboratory work, only. A thoroughly managed controlling mechanism defines larger R&D projects. Too often Biotech companies perform high quality R&D, but come short in marketability. For the past 15 months, management have shifted their R&D portfolio to later/mid stage products, enhancing the present value of the pipeline through reducing risk. Compounds in earlier stage can still be found in the pipeline, the allocation of resources is thoroughly dosed, however.

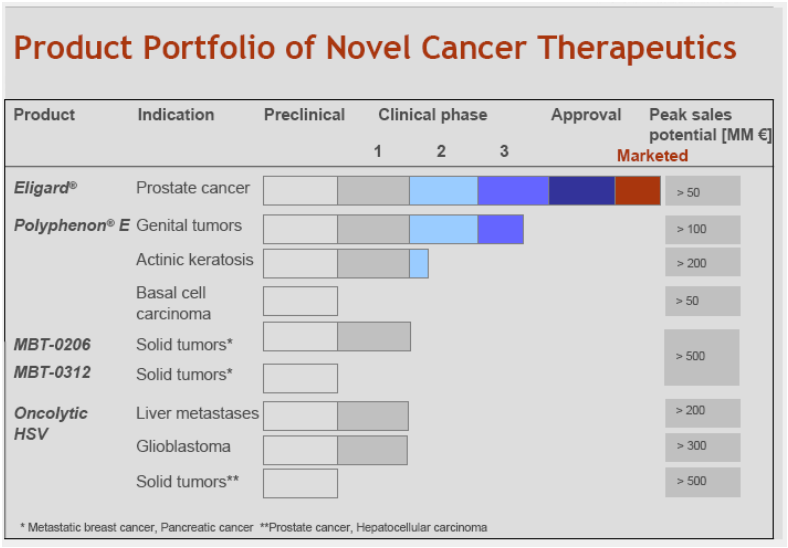
The recent appointment of Ulrich Delvos as head of R&D, represented at board level, reflects the exposure of this department within the Company. Prior to Delvos´ arrival, responsibility of this function was in the hands of CEO Peter Heinrich. Under his management a state-of-the-art equipment was installed, securing high quality and focussed research pertaining to each compound and drug MediGene pursues along the development curve. Currently, MediGene

has budgeted ca. €15 Mill. p.a. for R&D purposes in 2005 and 2006, respectively.

III. Products and the Pipeline

MediGene´s product pipeline is pivotal regarding future growth and profit prospects. Management are concerned to maintain an attractive portfolio with respect to risk considerations and maturity to market. The Company´s current pipeline is illustrated in exhibit 1.

Exhibit 1



Source: MediGene

1. Eligard®

Eilgard against hormone-responsive prostate cancer…..

Eligard® (formerly known as Leuprogel) is a new and innovative formulation of an agonistic hormone used in advanced hormone-responsive prostate cancer. The active compound, leuprorelin (leuprolide acetate) is a synthetic analogue of the physiological hormone LH-RH (luteinizing hormone-releasing hormone) and represents the standard in hormone treatment of prostate cancer. Therapeutic application of this drug lowers endogenous levels of testosterone, a hormone which, under pathological conditions, stimulates growth of prostate cancer cells. Eligard® combines the active anti-cancer compound with a drug delivery system that allows sustained absorption over a period of several months.

…..was in-licensed from Atrix Laboratories and sub-licensed to Yamanouchi

Eligard® has been developed by Atrix Laboratories, Inc. The drug is applied as a depot formulation by using the delivery system Atrigel, a bioresorbable depot matrix. In April 2001, MediGene obtained the license for Europe wide marketing of the one and three month formulation of Eligard®. Since regulatory demands differ significantly between US based FDA and German/European authorities, and in order to meet the German regulatory requirements relevant for approval, MediGene had to edit and process the clinical data generated by Atrix. In addition, MediGene had to perform additional pre-clinical studies to be in-line with domestic regulations. Now, the Company has the right to market this product European-wide with a total number of four depot formulations. Since May 2004, Eligard® is being marketed with Yamanouchi as the strategic distribution partner.

Launch in May 2004

2. Polyphenon®E

PolyphenonE – multiple indication development:

Polyphenon®E is being developed by MediGene for the following three indications: genital warts, actinic keratosis and basal cell carcinoma. These developments are in various stages along the R&D curve (see below). The active compound of Polyphenon®E is a defined extract from green tea, interfering with viral signal transduction pathways, which are causally associated with the above mentioned pathologies. Polyphenon®E has been sub-licensed by MediGene from Epitome Pharmaceuticals Ltd. in 1999. The patent originates from Mitsui Norin Company, Japan. MediGene acquired the development and marketing rights for Polyphenon®E, worldwide. The Company has developed an ointment formulation as the galenical as well as the manufacturing procedure for this product.

Indications

a) genital warts: phase III results due end 2004

a) Genital Warts. Polyphenon®E is currently in phase 3 for the indication "genital warts". This clinical study consists of two arms, one in Europe, the other in the US, each comprising ca. 500 patients. Completing results from the European arm of the study have been published on March, 31st 2004. The study revealed a statistically significant efficacy by considering both, primary (complete clearance) and secondary (partial clearance, > 70%) end points. Combining both end points, statistic significance over placebo has been reached for the 15% and 10% formulation, respectively.

The study design is based on a Special Protocol Assessment (SPA) agreement with the FDA, allowing pooling of the results of both arms of the study. Thus, even if the US study will not reach statistical significance, combination with the EU data still could lead to regulatory approval. Results from the US Study are due to the end of 2004.

b) actinic keratosis: phase II results expected in H1/05

b) Actinic Keratosis (AK) is an HPV-associated pre-cancerous lesion ultimately leading to spinalioma, a squamous cell carcinoma of the skin. About 10% of the patients with AK will develop this type of skin cancer. The development of

Polyphenon®E (15% ointment) for the indication AK is currently in clinical phase 2 (proof of concept), initiated in April 2004. The study includes 60 patients. Results are expected in the course of H1/2005.

c) basal cell carcinoma: preclinical

c) Basal cell carcinoma (Basalioma) is the most common skin tumor. Development of Polyphenon®E for this indication is currently in the preclinical status.

As a positive side effect, Polyphenon®E may enjoy accelerated R&D progression due to synergies in the various development stages. While different in indication, economics may result from complementary study results.

3. Oncolytic Herpes Simplex Viruses

IP extension on HSV technology

Oncolytic Herpes Simplex Viruses (HSV) are genetically modified viruses, that lack an essential enzyme for DNA replication; this missing function is complemented by tumor cells only, which finally causes lysis of the tumor cell.

In June 2004, MediGene closed a license agreement with the University of Chicago to further expand its HSV technology platform. These second generation oncolytic HSV are designed to specifically infect and thereby destroy cancer cells. Specificity of the viral particles is conferred by modifying viral surface proteins to target tumor-specific antigens. The agreement covers all rights for MediGene to commercialize the various HSV subtypes, which are filed for patent registration.

The HSV technology is a promising treatment option for patients with non-resectable tumors, e.g. disseminated tumor foci and brain tumor, or for tumors which have developed a resistance to chemo- and/or radiotherapy.

Reopening of a clinical trial with optimized study design

Currently, one of these modified viruses is being developed further: NV1020 for colorectal cancer metastasized to the liver. A second project, G207 for glioblastoma (brain tumor) is currently put on hold for budget reasons.

Up to now, a phase I/II study for both indications was performed with promising results. For the indication liver metastasis, it could be demonstrated that a combination of NV1020 with chemotherapy resulted in a significant decline in the tumor marker CEA (carcino-embryonic antigen). On September 2, 2004 the Company announced the initiation of a further phase I/II clinical trial with NV1020 with an optimized study design, based on the results of the previous phase I/II study. Results of this trial are expected by mid 2006.

Further development of G207, primarily in the context of an academic cooperation, is still an option.

4. MBT-0206

On August 16th, 2004, MediGene announced the acquisition of the cancer drug pipeline and related technologies from Munich Biotech AG, Munich, Germany.

Unique and proprietary drug delivery technology targets neo-vascularization

MBT-0206 acts as an anti-angiogenic drug, i.e. inhibits the *de novo* formation of blood vessels. Under pathophysiologic conditions, tumors induce the formation of new blood vessels, in order to supply the tumor cells with nutrients and oxygen. Inhibition of vascularization hence destroys the cancer cells via an indirect mechanism.

The drug is composed of the cytotoxic agent Paclitaxel coated by a proprietary cationic liposomal formulation (EndoTAG™). Due to the negatively charged surface of "activated" endothelial cells, which are responsible for the induction of neo-vascularization, cationic liposomes are selectively trapped by the endothelial cells (neo-vascular targeting).

The indirect mode-of-killing implies a significant advantage over conventional treatment with chemotherapeutic agents. Since cancer cells are not directly attacked by the toxic agent, the occurrence of drug resistance, which often develops during chemotherapy, is unlikely. In addition, treatment with an anti-angiogenic drug, interferes with a rather early event in tumor formation and progression.

Phase I trials with more than 150 patients with different types of cancer, including breast, prostate, colorectal and melanoma have yielded promising results. The drug will enter phase II by mid 2005.

Besides the specific formulation of MBT-0206 with Paclitaxel as the active compound, EndoTAG liposomes represent a proprietary vehicle to deliver any (cytotoxic) drug selectively to proliferating endothelial cells.

5. rAAV

rAAV discontinued

rAAV (recombinant adeno-associated viruses): on August 4th 2004, the Company reported the decision to discontinue this project conducted in cooperation with Aventis. A previously performed phase I study did not show satisfactory results, which would justify to continue this project.

IV. Portfolio considerations and management of product pipeline

Consistent evaluation and re-evaluation of product pipeline up-values risk profile

MediGene´s products and R&D projects reflect an exclusive focus on oncology. The pipeline covers all phases of the R&D scale with a noticeable concentration on mid to later stage projects.

We appreciate management´s consistent decision that is has ceased further development of the rAAV project in this early clinical stage. This clearly demonstrates management´s ability to objectively address portfolio risk issues in time. Eliminating rAAV from MediGene´s pipeline reduces the Company´s risk profile and releases additional resources for more promising products which have both, a greater chance of reaching the market and higher commercial potential. Furthermore, by replenishing the drug candidate pipeline with the anti-angiogenic compound MBT-0206, MediGene has again improved its R&D portfolio regarding risk and profitability.

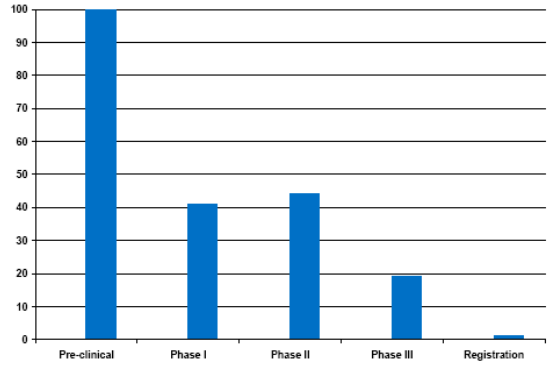
Pipeline above European average

Comparing MediGene´s product and R&D pipeline to the universe of European Biotech companies, consisting of 25 companies accounting for over 90% of the sector by market value, we now identify MediGene in a position above the average risk profile.

Exhibit 2 shows the number of products/compounds of European Biotech companies in the various stages along the development line:

Exhibit 2

Number of projects along the R&D curve



Source: Goldman Sachs Research estimates.

On corporate level in Europe, the average R&D pipeline profile is composed of

- 0.8 drugs in phase III.
- 1.8 drugs in phase II.
- 1.6 drugs in phase I.
- 4.0 drugs in pre-clinical development or the research phase.

(Source Goldman Sachs)

MediGene´s product portfolio shows one product in the market (Eligard®), one project in phase III (Polyphenon®E - genital warts), one project in phase II (Polyphenon®E - actinic keratosis), one phase I/II trial on NV1020, two projects in phase I (G207, MBT-0206), and two projects in pre-clinical phase (Polyphenon®E - basal cell carcinoma, MBT-312). A special feature of MediGene´s product portfolio is the diversification of Polyphenon®E and HSV into several medical applications: Besides genital warts, Polyphenon®E is being developed for actinic keratosis (phase II) and basal cell carcinoma (pre-clinical); in addition to liver metastasis from colorectal cancer and glioblastoma, the HSV technology is being devoloped against prostate and liver cancer. In sum, MediGene´s product portfolio has the following shape:

One product in the market
One product in phase III
One product in phase II
One project in phase I/II
Two projects in phase I
Two projects in pre-clinical studies

V. Market potential/distribution of risks

Eligard, with peak sales of €100 Mill. (for Yamanouchi) provides value for MediGene; Polyphenon with better in-/out-licensing terms is the product to go for

We perceive MediGene´s weakness concerning market potential, if we scaled the product pipeline top-down: with peak sales of ca. €100 Mill. at Yamanouchi level, the most advanced product, Eligard®, provides a moderate potential, only. Revenues are to be shared with Yamanouchi and Atrix - a ca. 6 times higher potential can be attributed to Polyphenon®E, currently in a series of developmental stages, ranging from phase I to III. Completion of the phase III study for the indication genital warts is due end of 2004; market launch is expected in Q4/06. Along the approval for this indication, an off-label use for actinic keratosis might coincide. Combined peak sales of ca. €300 Mill. could be expected in future years, given this scenario. The time line to market of Polyphenon®E triggers MediGene´s corporate valuation, in our view. Any delay in the anticipated market launch by end of 2006 will lead to a discount in our enterprise valuation.

We do not want to quantitatively comment on market potentials pertaining to products below phase II due to the inherent uncertainty. However, we perceive MediGene´s early and mid stage products (below or early phase II) of high quality from a medical perspective: it is especially the newly acquired anti-angiogenic program, which promises a high market potential. Although several anti-cancer drugs with a proven or assumed anti-angiogenic mechanism of action are already in the market, EndoTAG-based drugs developed by MediGene will benefit from their unique neovascular-specific targeting (selectivity towards tumor supporting nascent vessels).

Enterprise value €150-200 Mill.

In this context, we value MediGene´s product portfolio in a range of €150-200 Mill. Further details are shown in our DCF valuation.

VI. Relevant Product Markets

1. Eligard®

Eligard: ad hoc market share of 3% in Germany

According to the in-licensing agreement with Atrix, MediGene may market Eligard® in European countries, only. The market size in the European Countries for the indication "advanced hormone-responsive prostate cancer" is in excess of €500 Mill. with an annual growth rate of ca. 5%. Due to strong competition in this indication (see section VII), we estimate a market share of ca. 10% for Eligard in its initial phase 2005/2006. Peak sales of ca. €100 Mill. are possible by 2009. Since launched in May 2004, in Germany, Eligard® has captured an *ad hoc* 3% market share in its indication segment via Yamanouchi. Currently, formulations are marketed for a one and three months depot, with the three month formulation as the prescription preference. In addition, MediGene has acquired the option to market formulations for the sustained release over a period of four and six months. In the US, the four months formulation is already being marketed by Atrix; the FDA approval for the six months formulation is currently under review.

Launch of Eligard planned in EUTop5 in 2005

In addition to its launch in Germany, the product is planned to be introduced in the following European Countries in the course of 2005: Switzerland, Great Britain, France, Spain and Italy. Eligard´s Market share will increase accordingly. For our forecasting purposes regarding sales, we considered prostate cancer incidences and health care standards in the respective countries.

MediGene will receive a milestone payment from Yamanouchi of €2 Mill. for each country, where Eligard® is marketed, except for Switzerland.

2. Polyphenon®E

Off-label use most probably will contribute significantly to MediGene´s top line

In 2003, the market size for the indication genital warts in the US and the European TOP5 (Germany, Great Britain, France, Italy, and Spain) amounted to ca. €83 Mill., in sum (source: IMS). Including off-label use, i.e. actinic keratosis and basal cell carcinoma, market sales amounted to ca. €173 Mill. in 2003, with a CAGR of >22%. While Polyphenon®E is currently developed within MediGene´s R&D pipeline against actinic keratosis and basal cell carcinoma, off-label use, based on a successful approval for the indication genital warts, will significantly and timely contribute to the Company´s top line.

In the US, prevalence (rate of examined patients) of genital warts reportedly exceeds 50%, with an annual incidence rate (new cases p.a.) of 1% and is considered the most common sexually transmitted disease. The situation is very similar in European countries and the rest of the world.

Chance for Polyphenon to dominate the European market for topical treatment

Prevalence for actinic keratosis ranges between 11 and 40%, depending on complexion/region and age.

While the US market share for the topical treatment of genital warts and actinic keratosis amounts to 76% and 89%, respectively, the European market is still to be developed. Therefore, we are confident, that Polyphenon®E with its superior properties has the potential to dominate the European market.

In this context, MediGene is currently selecting an adequate marketing partner with strong distribution capabilities in the US dermatology market. However, market share credentials pertaining to emerging European markets for this indication should not be overseen. It is our opinion that the marketing partner to be selected will be instrumental for MediGene´s time schedule to turn into profitability.

Exhibit 3

Polyphenon - Market size and MediGene´s relevant sales potential

1. US and European Market size

Region	2004	2005	2006	2007
USA	184	220	264	317
Europe	24	29	35	42
Total Market	208	249	299	359

2. MediGene´s expected relevant sales

Region	2004	2005	2006	2007
USA*	n.a.	n.a.	1,3	24,6
Europe*	n.a.	n.a.	0,4	5,6
Total sales*	n.a.	n.a.	1,8	30,2

*assuming 30% royalties from distribution partner

We are calculating with a sales potential for Polyphenon®E, including line extensions and/or off-label usage, according to exibit 3:

We calculate with a market size for Polyphenon of €208 Mill. in 2004 with an annual growth rate of ca. 20%. From the total market size MediGene´s Polyphenon will capture ca. 2% (calculated on an annual basis) upon market launch by the end of 2006 with a steadily increasing share.

Medigene´s most significant item of income at this point of time will probably be upfront/milestone payments from the distribution and marketing partner. We calculate with several payments for a total amount of ca. €50 Mill., beginning with closing of a licensing agreement.

VII. Competitive Products

1. Eligard®

Eligard´s competitive products are marketed and distributed by strong players

MediGene has acquired the rights to market this drug in the EU. In the US, Eligard® is exclusively distributed by Sanofi-Synthelabo since 2002.

There are several drugs and formulations for the treatment of advanced hormone-responsive prostate cancer currently marketed, with Zoladex™ and Lupron™ as the dominating prescriptions. All of Eligard´s competitive products are being marketed and distributed by strong pharmaceutical players with an extensive global reach and considerable financial resources. These product have all been introduced to the market earlier.

a) Viadur™

Bayer Pharmaceuticals distributes Alza´s Viadur™ in the US, where it has been approved for marketing in 2000. Bayer has the marketing rights in the US until 2015.

The active compound is Leuprolide-acetate, the same as in Eligard®. With Alza´s implant technology, DUROS (titanium implant) , the drug has to be applied only once a year, which seems to be an advantage over MediGene´s product with a current maximum depot formulation of six months. However, Viadur has a market share of 0.2%, only.

b) Zoladex™

Zoladex™, offered by AstraZeneca since 1999 for the indication prostate cancer, consists of Goserelin-acetate, also an LHRH-agonist. It is applied as a biodegradable matrix with continuous release over a period of one or three months. Additional major indications of this drug include endometriosis and advanced breast cancer.

c) Lupron™

Lupron™ is being marketed by TAP Pharmaceuticals, a joint venture of Takeda and Abbott. Again, the active compound is leuprolide, incorporated in a bioresorbable copolymer of lactic and glycolic acids. For advanced prostate cancer, depot formulations of one, three and four months are currently available. In addition to the indication advanced prostate cancer, Lupron™ is also approved for endometriosis and tumors of the uterus (fibroids).

The drug is being marketed since 1985, and is curently available as a 3- or 4-month depot formulation. According to our information, a 6-month depot formulation is being developed by TAP.

d) Trelstar™

Pfizer's Trelstar™ (generic Lupron™), approved in 2004, is a depot formulation of the synthetic LHRH-agonist triptorelin. It is applied as a depot formulation which is intended for a monthly intramuscular injection.

In summary, the competitve advantage of Eligard may be seen in its mode of application and hormone release. Compared to competitive products, Eligard uses the smallest needle for injection and sustained release of the drug is the most consistent with the least amount of testosterone spikes.

Polyphenon´s competitive products are marketed by prominent players

2. Polyphenon®E

There are several products in the market, which address the indications of Polyphenon®E. Again, many of Polyphenon´s competitive products are being marketed and distributed by strong pharmaceutical players with an extensive global reach and considerable financial resources. These products have all been introduced to the market earlier.

In several cases, the drugs for topical treatment of the skin are characterized by a variety of skin disease indications, associated with enhanced cell proliferation. A special feature in this context is the off-label use of Aldara. Polyphenon®E, most likely, will also enjoy accelerated rollout in off-label indications, i.e. actinic keratosis and basal cell carcinoma.

a) Aldara™

Aldara™ (chemical name: imiquimod), marketed by 3M since 1998, acts as an immuno-modulator and has initially been approved for the indication external genital and perianal warts (condyloma acuminata). In 2003, 60% of revenues of Aldara were generated by off-label use for the indications actinic keratosis and superficial basal cell carcinoma in the US (48% in the TOP5 EU: Germany, France, UK, Spain and Italy). Following this extensive off-label related sales, this drug also has been approved for these two indications in 2004. For the indication genital warts, Aldara has the highest market share, worldwide (87% in 2003). Aldara is to be regarded as the strongest competitive product in its indications.

Adverse effects of Aldara are characterized by mild to severe local skin reactions.

b) Condylox®, marketed by Watson Pharmaceuticals, Inc. in the US and Europe, is approved for the indication external genital and perianal warts. The active compound is the cytostatic podophyllotoxin. In 2003, podophyllotoxins, including Condylox, had a market share of 13% for this indication.

c) Carac® and Efudex®

Efudex® (original brand), marketed by Valeant Pharmaceuticals Intl. (formerly ICN Pharmaceuticals), and Carac® (generic formulation), marketed by Dermik Laboratories (as the distribution partner for dermatologics of Aventis Pharma AG, world wide) are based on the cytostatic compound fluorouracil, a base analogon, which inhibits cell proliferation. This chemical compound is prescribed for a variety of skin disorders: actinic keratosis, superficial basal cell carcinoma, genital warts, psoriasis, and others. Application of this drug is usually associated with burning and irritation of the skin. Efudex® became generic in February 2004.

d) Solaraze™

Solaraze™ (Diclofenac) has been in-licensed by Shire from SkyePharma and is being marketed for the indication actinic keratosis in Germany and the UK. The licensing agreement covers marketing rights for whole Europe. Initially, the drug has been launched in 2001 in three major European markets by the original license holders.

e) Levulan®

Initially co-developed by Schering AG and DUSA Pharmaceuticals, Inc., this drug has been approved for the treatment of AK of the face or scalp in 2000. In late 2000, Schering startet marketing in the US. In 2002, DUSA re-acquired the exclusive marketing rights from Schering and now distributes Levulan® since mid 2004 in Canada and the US.

Levulan® is also approved and being marketed for other dermatologic diseases. The chemical basis of Levulan® is 5-aminolevulinic acid, which, in combination with exposure to light, exerts its therapeutic effect (photodynamic therapy).

According to existing study results, Polyphenon shows a superior profile with respect to adverse effects, a fact which most likely is attributable to the origin of the drug as a natural compound from green tea. For the same reason, manufacturing costs may be significantly lower when compared to competitive synthetic products.

VIII. MediGene´s peers [quoted companies]

Selection of comparables based on pipeline, strategy and financials

We have identified companies based in the US, UK, Switzerland and Germany, which, upon our analysis, are close comparables to MediGene. The selection of these companies is based on the comparability of products/indications and business strategy as well as on financial aspects.

Cell Therapeutics

Cell Therapeutics, Inc., Seattle, WA, USA is a fully integrated biopharmaceutical company, which spans the entire spectrum of drug discovery, development, and commercialization. The company is developing proprietary drugs and drug delivery technologies that more selectively target anti-tumor drugs to the respective tissue. The clinical pipeline consists of one marketed drug against a certain form of acute promyelocytic leukaemia (Trisenox), and three products in clinical phases I-III.

CTI´s drug delivery technology has been in-licensed on a world wide exclusive basis in 1998. The technology is based on the conjugation of drugs to biodegradable bio-polymers, such as poly-glutamate. These conjugates accumulate more efficiently in cancer cells compared to normal cells. Systemic side effects, normally encountered with most anti-cancer drugs, are significantly reduced, since the drug gets activated only upon enzymatic degradation of the polymer within the cancer cell. CTI initially focuses the development capacities on the conjugation for two of the most important classes of anti-cancer drugs: taxanes and camptothecins. This product line compares best with MediGene´s drug delivery technology EndoTAG and its thereof-derived drug MBT-0206.

CTI has a market capitalization of €286 (04/09). For the period ended June, 30th, 2004, revenues amounted to $11.8 Mill. due to the sales of Trisenox, which is currently marketed in the US and Europe via an own sales force. Due to strong R&D activities (ca. $53 Mill.), acquisitions (ca. $88 Mill.), and high costs in SG&A (ca. $40 Mill.) the P&L shows a net loss of ca. $174 Mill.

Cell Genesys

Cell Genesys, Inc., South San Francisco, CA has a rich portfolio of drugs in various clinical/pre-clinical stages. The most advanced products are based on patient specific and non-patient specific cancer vaccination (GVAX®). Cancer cells, either patient-derived or cultured cell lines are genetically modified to produce immuno-stimulatory GM-CSF. Currently, one project is in clinical phase III (metastatic hormone-refractory prostate cancer), three in phase II (lung and pancreatic cancer, leukemia) and one in phase I (myeloma).

A second line of development are oncolytic Adeno-viruses targeted against multiple cancers. While one project already reached clinical phase I/II (early stage prostate cancer), four other projects are still preclinical. Due to an alliance with Novartis officially signed in 2003, the research pipeline is biased towards oncolytic virus-based projects, supported by this strong partner.

In addition to the cancer vaccine and oncolytic virus therapy programs, Cell Genesys is developing a pipeline of products based on a variety of approaches, including antiangiogenesis; the company is evaluating opportunities for cooperation in this field.

In summary, Cell Genesys compares with the following developments within MediGene´s pipeline: prostate cancer (albeit the hormone refractory variant), oncolytic viruses, and anti-angiogenic compounds.

Market capitalization amounts to €320 Mill. (04/09). Revenues for the period ending June, 30th, 2004: $5 Mill. Net loss: ca. $47 Mill.; ca. $47 Mill. for R&D.

Onyx Pharmaceuticals

Onyx Pharmaceuticals, Inc., Richmond, CA has an exceptional pipeline of projects with one and the same drug being evaluated in several clinical phases: one phase III clinical trial, 6 phase II trials, and 9 phase Ib trials. This drug is being co-developed with Bayer Pharmaceuticals Corp. and is currently evaluated in a large, international, multicenter phase III clinical study in patients with advanced kidney cancer. The drug is also being studied in multiple single-agent Phase II clinical trials in kidney, melanoma, liver and other cancers, along with several Phase Ib clinical trials studying the agent in combination with a range of standard chemotherapeutics.

One product, a cell cycle inhibitor, is currently in the pre-clinical phase and is being co-developed with Pfizer.

Market capitalization amounts to €1.15 Bill. (04/09). For the six months ended June 30th, 2004, P&L shows a net loss of ca. $21 Mill., with ca. $16 Mill. expended for R&D, alone.

Antisoma

Antisoma plc, London, UK, is a biotechnology company with an anti-cancer drug portfolio of relative early stage, with Roche as a strong development partner. Antisoma's product candidates target tumors by several different mechanisms and are intended for the treatment of a range of cancers. Three products are in pase I: an in-licensed anti-angiogenesis drug in late phase I and a humanized antibody against breast cancer, in mid phase I. Both products are co-developed with Roche. A third product, a monoclonal antibody directed against neo-angiogenesis, is in early phase I, and still unpartnered. The clinical pipeline is clearly dominated by anti-angiogenetic approaches and therefore compares nicely to MediGene´s new candidate MBT-0206.

Pre-clinical development comprises products and technologies to induce apoptosis (programmed cell death), inhibit telomerase activity, and delivering antibodies and cytokines.

A monoclonal antibody program against ovarian cancer in cooperation with Roche, has been discontinued due to unsatisfactory phase III results.

Antisoma´s strategy is to in-license promising anti-cancer drugs at an early stage of development from academic and commercial institutions, and to add value to these 'product candidates' by designing and implementing effective development programs. Antisoma conducts preclinical and early-phase clinical studies before actively seeking pharmaceutical company partners to help complete clinical development, file for regulatory approval, and carry out marketing activities.

Market capitalization amounts to €51,3 Mill. (04/09).The company is not profitable.

Xenova

Xenova plc, Berkshire, UK, is a biotechnology company developing drugs against cancer and addiction as a primary focus. A secondary focus is on immunotherapy, such as vaccines against infectious diseases caused by HSV and HPV, recombinant immuno-stimulatory HSV and antibodies against various tumors. The drugs are small molecules and biologics by design. The indications HPV infections and immuno-stimulatory HSV clearly share aspects with MediGene´s pipeline.

Xenova currently has 12 candidates in clinical development; that includes eight products in oncology (three in Phase II or Phase III) and five in addiction and immunology. In addition, the company has a pre-clinical compound for auto-immune disorders, as well as a number of programs available for licensing. Drugs are developed in-house from earliest stages to clinical studies. The company´s business strategy envisages partnerships to further develop drug candidates starting from phase II. Currently, Xenova has strategic development partnerships among others with Pfizer, Lilly, and Genentech.

Market capitalization amounts to ca. €54.8 Mill. (04/09). Group net loss is ca. $8 Mill. with no revenues on operative level.

GPC Biotech as the closest comparable

GPC Biotech AG, Martinsried, Germany is a research and development driven biotechnology company in the field of anticancer drugs.

The Company's lead product candidate - satraplatin - is currently in a Phase III registrational trial as a second-line chemotherapy treatment in hormone-refractory prostate cancer primarily in the U.S. and Europe. In addition, GPC currently performs clinical trials in phase I or II for other cancer types with satraplatin in a combination therapy. The drug has been in-licensed from Spectrum Pharmaceuticals Inc. in 2002 and successfully been developed into phase III by GPC. For commercialization purposes, GPC may eventually enter into one or more sales and marketing partnerships with pharmaceutical or large biotechnology firms.

Other anticancer programs in development include a monoclonal antibody and a cell cycle inhibitor. Both programs are currently in pre-clinical development.

GPC Biotech has formed successful alliances with a number of pharmaceutical and biotechnology companies. In addition to being listed at the German stock exchange (TecDax), GPC´s shares are traded at AMEX since June 2004.

We consider GPC Biotech to be nicely comparable with MediGene, not only because of its focus on anti-cancer drugs but even more on the basis of its corporate strategy. The product and R&D pipeline is well balanced with products and projects covering all development stages. Their lead product, satraplatin, has been in-licensed and is being developed by GPC for several indications in the context of stand-alone or combination treatments. This multi-indication approach, as in the case of MediGene´s pipeline, most probably will contribute to an accelerated development process.

Market capitalization amounts to ca. €240 Mill. (04/09). Currently, revenues are mainly generated by an alliance with Altana Pharma AG to establish the Altana Research Institute in the US. GPC´s P&L account shows a net loss of ca. €16 Mill. for the 6 months ended June, 30th, 2004.

IX. Valuation

1. Cash Flow Analysis

Reasons for applying the input parameters are the following:

4.1% as a risk-free rate reflects the current market rate in Germany for 10-year Government bonds. Our market risk premium of 8.6% is a function of MediGene´s equity ratio of 96% and an assumed borrowing rate of 6.5%.

Discounted Cash Flow Analysis - MediGene AG -

Based on future free cash-flows 2004-2009 + terminal value

- Nominal values in T€ -	Actual values - reported -		Forecasting						
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues Eligard	3.500	1.700	12.100	16.300	24.800	27.300	30.000	33.000	
Revenues Polyphenon	0	0	0	5.000	11.800	42.200	89.600	121.000	
Total Revenues	3.500	1.700	12.100	21.300	36.600	69.500	119.600	154.000	
Operative free cash-flows for evaluation	**-38.635,0**	**-25.300,0**	**8.013,0**	**-15.600,0**	**-5.100,0**	**27.100,0**	**42.250,0**	**29.400,0**	**29.400,0**
				Perpetual value starting 2010					*230.727,6*
NPVs of free cash-flows			7.933,3	-13.699,3	-3.972,4	18.722,7	25.890,4	15.979,8	111.234,0

Riskfree rate	4,1%
Market risk premiu	8,6%
WACC	12,7%
ß-Factor	1,14

Result of future FCFs 2004 - 2009	50.854,5	31%
Result of terminal value > 2010	111.234,0	69%
Sum of anterprise values	162.088,5	100%
Corporate value, gross	**162.088,5**	
Cash and marketable securities	32.815,0	
./. LT debt (2004)	1.529,0	
Corporate value, net	**193.374,5**	
No. of shares	15.434	
Fair value per share	12,50	

As a beta factor we used 1.14 reflecting the 90-day regression line with the Prime Standard Biotechnology index.

Our DCF calculations result in a Corporate Value for MediGene amounting to €193 Mill. which translates in a value of €12.50 per share.

We would like to point out that MediGene's Corporate Value is tail-end loaded, i.e. the terminal value of our calculation is 69% of the sum. Only ca. €51 Mill. contribute to the cash-flow situation of the years 2004-2009.

Taking MediGene's current cash-position into account a front-end value becomes more obvious (42% value of FCFs; 58% Terminal value)

These findings also represent MediGene's product pipeline and status of corporate development.

2. Equity Method (Trading Multiples)

Our peer group analysis compares MediGene with companies, which we consider to be similar in their corporate strategy and which are characterized by a balanced, high quality product portfolio with respect to indications, technologies, and developmental stages along the R&D curve.

Discriminant Analysis of the Peer Group:

	Data as of: Oct 3, 2004	MediGene AG			GPC Biotech			Onyx		
		2003	**2004e**	**2005e**	**2003**	**2004e**	**2005e**	**2003**	**2004e**	**2005e**
Financial	N° of shares (in Mill.)	11,2	15,43	15,4	20,8	21,5	21,5	29,6	34,5	34,5
Data	Net Profit ('000)	-31.060	-14.000	-4.200	-26.831	-31.111	-30.253	-36.875	-42.383	-45.140
	Cash Flow ('000)	-26.544	-3.600	154	-22.974	-30.253	-32.828	-30.980	-41.563	-44.320
	Cash position ('000)**	21.444	30.400	19.100	91.671	74.500	41.672	86.428	194.504	150.184
	Net Debt Position ('000)	0,00	0,00	0,00	1.523	31.776	64.604	14.134	55.698	100.018
	Revenues ('000)	1.742	12.100	27.000	21.594	17.568	21.145	0	225	3.438
Equity	Earnings/shr. (EPS)	-2,77	-0,91	-0,27	-1,29	-1,45	-1,41	-1,25	-1,23	-1,31
relevant	**Cash Flow/shr. (CFS)**	**-2,37**	**-0,72**	**0,01**	**-1,11**	**-1,41**	**-1,53**	**-1,05**	**-1,21**	**-1,29**
Data	Net Debt Position/shr.	0,00	0,00	0,00	0,07	1,48	3,01	0,48	1,62	2,90
	Book Value ('000)	29.200	15.200	11.000	81.879	50.768	20.515	60.286	17.902	-27.238
	Market Cap ('000)	66.864	112.639	112.639	163.957	238.162	238.162	684.147	1.234.286	1.234.286
Valuation	Share Price	5,97	7,30	7,30	7,90	11,10	11,10	23,12	35,82	35,82
	EV/shr.	4,1	5,3	6,1	3,6	9,1	12,2	20,7	31,8	34,4
	Sales/shr.	0,2	0,8	1,7	1,0	0,8	1,0	0,0	0,0	0,1
	Price/Sales	38,4	9,3	4,2	7,6	13,6	11,3	n.a.	5.485,7	359,0
	EV/Sales	**26,1**	**6,8**	**3,5**	**3,4**	**11,1**	**12,3**	**n.a.**	**4.868,8**	**344,4**
	Market Cap/Book	**2,3**	**7,4**	**10,2**	**2,0**	**4,7**	**11,6**	**11,3**	**68,9**	**-45,3**

		MediGene AG			Cell Genesys			Xenova		
		2003	**2004e**	**2005e**	**2003**	**2004e**	**2005e**	**2003**	**2004e**	**2005e**
Financial	N° of shares (in Mill.)	11,2	15,43	15,4	39,7	44,7	44,7	431,5	431,5	431,5
Data	Net Profit ('000)	-31.060	-14.000	-4.200	-46.253	-83.563	-88.478	-24.137	-30.204	n.a.
	Cash Flow ('000)	-26.544	-3.600	154	-38.311	-71.263	-76.178	-25.988	-28.436	n.a.
	Cash position ('000)**	21.444	30.400	19.100	8.091	90.011	13.833	13.724	-14.712	n.a.
	Net Debt Position ('000)	0,00	0,00	0,00	75.880	147.143	223.321	2.578	31.014	n.a.
	Revenues ('000)	1.742	12.100	27.000	14.840	11.712	15.800	11.194	8.760	n.a.
Equity	Earnings/shr. (EPS)	-2,77	-0,91	-0,27	-1,17	-1,87	-1,98	-0,06	-0,07	n.a.
relevant	**Cash Flow/shr. (CFS)**	**-2,37**	**-0,72**	**0,01**	**-0,97**	**-1,59**	**-1,70**	**-0,06**	**-1,33**	**n.a.**
Data	Net Debt Position/share	0,00	0,00	0,00	1,91	3,29	5,00	0,01	0,07	n.a.
	Book Value ('000)	29.200	15.200	11.000	177.830	94.267	5.789	38.522	8.318	n.a.
	Market Cap ('000)	66.864	112.639	112.639	416.397	329.336	329.336	60.160	54.791	54.791
Valuation	Share Price	5,97	7,30	7,30	10,50	7,37	7,37	0,14	0,13	0,13
	EV/shr.	4,1	5,3	6,1	12,2	8,6	12,1	0,1	0,2	n.a.
	Sales/shr.	0,2	0,8	1,7	0,4	0,3	0,4	0,0	0,0	n.a.
	Price/Sales	38,4	9,3	4,2	28,1	28,1	20,8	5,4	6,3	n.a.
	EV/Sales	**26,1**	**6,8**	**3,5**	**32,6**	**33,0**	**34,1**	**4,4**	**11,5**	**n.a.**
	Market Cap/Book	**2,3**	**7,4**	**10,2**	**2,3**	**3,5**	**56,9**	**1,6**	**6,6**	**n.a.**

		MediGene AG			Antisoma*			Cell Therapeutics		
		2003	**2004e**	**2005e**	**2003**	**2004**	**2005e**	**2003**	**2004e**	**2005e**
Financial	N° of shares (in Mill.)	11,2	15,43	15,4	229,0	266,7	266,7	34,3	50,6	50,6
Data	Net Profit ('000)	-31.060	-14.000	-4.200	-4.830	-878	-11.566	-109.226	-108.723	-72.819
	Cahs Flow ('000)	-26.544	-3.600	154	13.447	-39.045	-31.566	87.858	-67.257	11.631
	Cash position ('000)**	21.444	30.400	19.100	49.769	56.648	37.230	75.112	73.349	84.980
	Net Debt Position ('000)	0,00	0,00	0,00	12.759	-26.286	-57.852	157.000	224.257	212.626
	Revenues ('000)	1.742	12.100	27.000	17.338	25.674	24.064	20.273	35.434	78.883
Equity	Earnings/shr. (EPS)	-2,77	-0,91	-0,27	-0,02	-0,01	-0,11	-3,18	-2,15	-1,44
relevant	**Cash Flow/shr. (CFS)**	**-2,37**	**-0,72**	**0,01**	**0,06**	**-0,15**	**-0,20**	**2,56**	**-1,33**	**0,23**
Data	Net Debt Position/share	0,00	0,00	0,00	0,06	-0,10	-0,22	4,57	4,43	4,20
	Book Value ('000)	29.200	15.200	11.000	23.408	22.529	10.964	-65.000	-173.723	-246.543
	Market Cap ('000)	66.864	112.639	112.639	144.545	51.486	51.486	246.664	275.601	275.601
Valuation	Share Price	5,97	7,30	7,30	0,63	0,19	0,19	7,18	5,45	5,45
	EV/shr.	4,1	5,3	6,1	0,5	-0,1	-0,2	9,6	8,4	8,0
	Sales/shr.	0,2	0,8	1,7	0,1	0,1	0,1	0,6	0,7	1,6
	Price/Sales	38,4	9,3	4,2	8,3	2,0	2,1	12,2	7,8	3,5
	EV/Sales	**26,1**	**6,8**	**3,5**	**6,2**	**-1,2**	**-1,8**	**16,2**	**12,0**	**5,1**
	Market Cap/Book	**2,3**	**7,4**	**10,2**	**6,2**	**2,3**	**4,7**	**-3,8**	**-1,6**	**-1,1**

* as per June, 30th
** 2004 data as per June, 30th

Source: Concord Effekten, IBES, Bloomberg

Comparing MediGene with its peers, we look at the following ratios, which we deem as relevant:

Market Cap/Book (valuing intangible assets)

Cash Flow/Share (indicating profitability)

EV/sales (valuing revenues)

Looking at profitability ratios is not reasonable because all the companies in our peer group have a similar stage of development at the corporate level, hence are not profitable, yet.

If we now compare MediGene on the basis "Market Cap/Book" with its peers it is evident that investors already honor the value of MediGene´s product portfolio. Given the current stock price, all the companies within MediGene´s peers show a lower Market Cap/Book ratio, except Onyx Pharmaceuticals. This ratio reflects the investor´s opinion regarding intangible values within the Company. **MediGene is currently valued 8.4x book.**

On a **cash flow/share basis (2004: -0.72; 2005: +0,01),** MediGene´s phase of development becomes evident. Due to the emerging product ramp, MediGene will generate sufficient revenues to be cash-positive by the end of 2005.This is a distinctive criterion vis-à-vis its direct peers and speaks for management´s risk conscious portfolio/pipeline approach.

Looking at **EV/sales (2004: 6.8x),** MediGene's stock price appears very attractive to us. Investors are prepared to pay a higher premium per 1€ of sales generated.

Our sensitivity analysis shows that MediGene's stock price, back-tested at a value within a range of €12,00-13.00, is approaching the valuation multiples of its peers.

The value we derived from the DCF-Analysis we conducted for MediGene confirms our trading-multiples approach above.

In summary, we consider a value of €12.50 as adequate to reflect MediGene´s assets and future potential.

X. Financials

MediGene is in a comfortable financial position to develop products in their pipeline without raising additional funding at the current development pace. Should management decide to accelerate ramp of development or to significantly expand the portfolio, such a corporate action could be within investor´s interest.

Comfortable cash position of €33 M., i.e. €30 M. by year end

The Company´s cash position amounted to €33 Mill. as per Q2/04 with a running cash rate for operations of ca. €1.5 Mill. p.m. Due to the current cash inflow from MediGene´s product sales we perceive this operating cost structure adequate with respect to product development and marketing efforts. Currently, MediGene is budgeting €15 Mill. p.a. for R&D and €5 Mill. p.a. for SG&A going forward to fiscal 05/´06.

Low debt/equity ratio; however not using leverage

With scarcely any dept on their books, MediGene has committed to pay back a loan received from Aventis in connection with their partner project rAAV that was ceased during Q2/04. The total amount of €3.284 will be paid back in 12 equal instalments beginning August ´04. Given the current cash position of ca. €30 Mill. this settlement will not have a material impact on MediGene´s liquidity.

In the years to come net loss position will be reduced by 50% each year.

We believe that MediGene will be able to reduce its net loss position announced in fiscal 2003 by 50% to ca. €14 Mill. in 2004 breaking even in late 2006 or early 2007.

1. Quarterly Forecasts:

in Mill. €	Q1/04	Q2/04	Q3/04e	Q4/04e	2004e
Revenues	3,9	4,9	1,6	1,7	12,1
COGS	0,0	3,2	1,3	1,3	5,9
Gross Profit	3,9	1,7	0,3	0,4	6,2
R&D	3,7	2,8	5,0	3,5	15,0
SG&A	1,2	1,3	1,3	1,4	5,2
EBITDA	-1,0	-2,4	-6,0	-4,5	-14,0
Depreciation	0,2	0,3	0,2	0,2	0,8
EBIT	-1,2	-2,7	-6,2	-4,7	-14,8
Net Interest Income	0,1	0,1	0,1	0,1	0,5
Extrao. items	-0,3	0,0	0,3	0,3	0,3
EBT	-1,4	-2,6	-5,8	-4,3	-14,0
Taxes	0,0	0,0	0,0	0,0	0,0
Net Income	-1,4	-2,6	-5,8	-4,3	-14,0
N° of shares	12,3	13,5	15,4	15,4	15,4
EPS	-0,11	-0,19	-0,38	-0,28	-0,90

Source: Concord Equity Research

MediGene´s Atrix position has increased in value significantly

Since April 2001, MediGene is carrying ca. 230.000 shares of Atrix´ Laboratories stock on their books (refer to section I, page 3). The value of this stake has increased gradually over time. As of today, the value of Atrix shares reported in MediGene´s Financials has a value between €6.1 – 6.5 Mill. It is in particular the take-over (friendly merger) of Atrix by QLT, Inc., that boosted the value of the Atrix position. The transaction still remains subject to various closing conditions, including the approval of stockholders of QLT Inc. and Atrix Laboratories, Inc. and other regulatory approvals and filings. We think that MediGene will not stick to this position medium-term, moreover this stake will be reduced carefully, once the transaction has been completed.

Profit and Loss account (€ m)

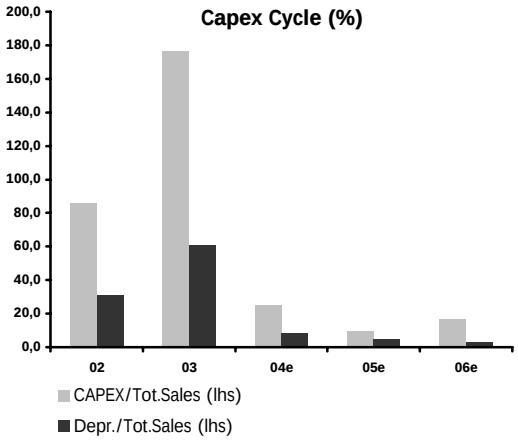
Fiscal Year 31/12 • US GAAP	02	03	04e	05e	06e	03	04e	05e	06e	5Y ø
						y-o-y changes (%)				
Net Sales	3,5	1,7	12,1	21,3	36,5	-51,4	611,8	76,0	71,4	79,7
Chg. in Inventories /o. Work. Cap.	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	---
Total Sales	**3,5**	**1,7**	**12,1**	**21,3**	**36,5**	**-51,4**	**122,4**	**15,2**	**71,4**	**79,7**
Material Expenses	0,0	0,0	5,9	9,1	16,0	0,0	0,0	54,2	75,8	---
Gross Profit	**3,5**	**1,7**	**6,2**	**12,2**	**20,5**	**-51,4**	**264,7**	**96,8**	**68,0**	**55,6**
Other Operating Income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	---
Personnel Expenses	7,2	7,9	5,2	6,0	6,0	9,7	-34,2	15,4	0,0	-4,5
Other Operating and R&D Expenses	35,2	21,8	15,0	13,0	16,0	-38,1	-31,2	-13,3	23,1	-17,9
EBITDA	**-38,9**	**-28,0**	**-14,0**	**-6,8**	**-1,5**	**-28,0**	**-50,0**	**-51,4**	**-77,9**	**-62,3**
Total Depreciation	1,3	1,0	0,8	0,6	0,6	-23,1	-20,0	-25,0	0,0	-17,6
EBIT	**-40,2**	**-29,0**	**-14,8**	**-7,4**	**-2,1**	**-27,9**	**-49,0**	**-50,0**	**-71,6**	**-58,3**
Interest Income	2,1	0,7	0,5	0,5	0,3	-66,7	-28,6	0,0	-40,0	-38,5
Interest Expenses	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	---
Income from Particip. & Assoc.	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	---
Other Financial Expenses	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	---
Financial Result	**2,1**	**0,7**	**0,5**	**0,5**	**0,3**	**-66,7**	**-28,6**	**0,0**	**-40,0**	**-38,5**
Income from Ord. Business	**-38,1**	**-28,3**	**-14,3**	**-6,9**	**-1,8**	**-25,7**	**-49,5**	**-51,7**	**-73,9**	**-60,1**
Extraordinary Result (Inc.+,Exp.-)	-0,8	-2,8	0,3	0,0	0,0	250,0	-110,7	-100,0	0,0	-100,0
EBT	**-38,9**	**-31,1**	**-14,0**	**-6,9**	**-1,8**	**-20,1**	**-55,0**	**-50,7**	**-73,9**	**-61,3**
Taxes on Income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	---
Other Taxes	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	---
Net Profit	**-38,9**	**-31,1**	**-14,0**	**-6,9**	**-1,8**	**-20,1**	**-55,0**	**-50,7**	**-73,9**	**-61,3**
Minorities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	---
Adjustments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	---
Adjusted Net Profit	**-38,9**	**-31,1**	**-14,0**	**-6,9**	**-1,8**	**-20,1**	**-55,0**	**-50,7**	**-73,9**	**-61,3**
Amortisation of Goodwill	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	---
Dep. on Tang. Assets & o. Op.Ass.	1,1	1,0	1,0	1,0	1,0	-5,0	-3,0	0,0	0,0	-2,0
EBITA	**-40,2**	**-29,0**	**-14,8**	**-7,4**	**-2,1**	**-27,9**	**-49,0**	**-50,0**	**-71,6**	**-58,3**
Adj. No. of Shares	11,2	11,2	15,4	15,4	15,4	0,0	37,7	0,0	0,0	8,3
Adj. Net Profit/Share (EPS)	**-3,47**	**-2,78**	**-0,91**	**-0,45**	**-0,12**	**-20,1**	**-67,3**	**-50,7**	**-73,9**	**-65,2**
Adj. Cash Earnings (CE)/Share	**-3,09**	**-2,42**	**-0,66**	**-0,21**	**0,12**	**-21,7**	**-72,7**	**-67,6**	**-154,5**	**-136,4**

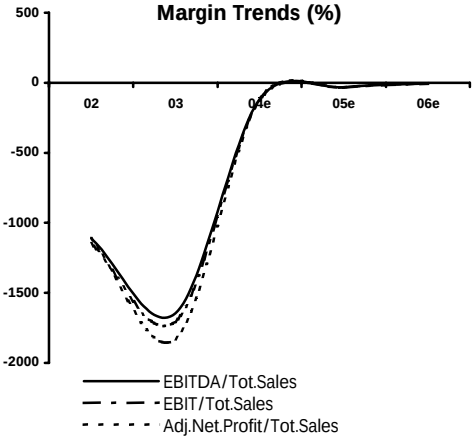
Cash Flow Statement (€ m)

Fiscal Year 31/12 • US GAAP	02	03	04e	05e	06e	03	04e	05e	06e	5Y ø
						y-o-y changes (%)				
Adjusted Net Profit	-38,9	-31,1	-14,0	-6,9	-1,8	-20,1	-55,0	-50,7	-73,9	-61,3
+ Depreciation & Amortisation	1,3	1,0	0,8	0,6	0,6	-23,1	-20,0	-25,0	0,0	-17,6
+ Chg. in long-term Provisions	3,0	3,0	3,0	3,0	3,0	0,0	0,0	0,0	0,0	0,0
= Cash Earnings	**-34,6**	**-27,1**	**-10,2**	**-3,3**	**1,8**	**-21,7**	**-62,4**	**-67,6**	**-154,5**	**-140,5**
+ Minorities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	---
- Chg. in Net Working Capital	1,0	-4,8	-9,6	-2,7	-14,3	-575,9	101,7	-72,4	440,6	---
= Operating Cash Flow	**-35,6**	**-22,3**	**-0,6**	**-0,6**	**16,1**	**-37,2**	**-97,3**	**7,7**	**---**	**-189,7**
- Capex	3,0	3,0	3,0	2,0	6,0	0,0	0,0	-33,3	200,0	18,9
= Free Cash Flow	**-38,6**	**-25,3**	**-3,6**	**-2,6**	**10,1**	**-34,3**	**-85,8**	**-26,5**	**-483,0**	**-173,7**
- Net Other Items	0,0	0,0	4,0	18,0	10,0	0,0	0,0	350,0	-44,4	---
- Dividends (Previous Year)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	---
+ Increase in Share Capital	0,0	0,0	15,5	0,0	0,0	0,0	0,0	-100,0	0,0	---
- Outflow from Share Buy Backs	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	---
+ Bank Loans	0,0	0,0	1,0	5,0	5,0	0,0	0,0	400,0	0,0	---
= Incr. in Cash (+)/Decr. in Cash (-)	**-38,6**	**-25,3**	**8,9**	**-15,6**	**5,1**	**-34,3**	**-135,1**	**-275,8**	**-132,9**	**-158,8**

Balance Sheet (€ m)

Fiscal Year 31/12 • US GAAP	02	03	04e	05e	06e	03	04e	05e	06e
Assets						% of Balance Sheet Total			
Tangible Assets	3,7	2,2	4,2	5,2	10,2	5,7	8,1	13,0	15,9
Other Assets	13,2	13,8	15,3	17,7	30,3	35,9	29,6	44,4	47,2
t/o Goodwill	9,2	9,2	9,2	9,2	9,2	24,0	17,7	23,1	14,3
Total Fixed Assets	**16,8**	**16,0**	**19,5**	**22,9**	**40,5**	**41,6**	**37,6**	**57,4**	**63,0**
Inventories	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Accounts Receivable	0,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total Liquid Funds	48,8	21,5	30,4	14,8	19,9	56,0	58,6	37,1	31,0
Other Current Assets	0,9	0,9	1,9	2,2	3,8	2,2	3,7	5,5	5,9
Total Current Assets	**50,2**	**22,4**	**32,3**	**17,0**	**23,7**	**58,3**	**62,3**	**42,6**	**36,9**
Balance Sheet Total	**67,1**	**38,4**	**51,9**	**39,8**	**64,2**	**100,0**	**100,0**	**100,0**	**100,0**
Liabilities						% of Balance Sheet Total			
Subscribed Capital	11,2	11,2	15,4	15,4	15,4	29,2	29,7	38,8	24,0
Share Premium	218,1	218,2	218,2	218,2	218,2	568,2	420,4	548,2	339,8
Retained Earnings & Other Reserves	-169,9	-199,9	-213,9	-220,8	-222,6	-520,7	-412,2	-554,9	-346,8
Shareholders Equity	**59,4**	**29,4**	**19,7**	**12,8**	**11,0**	**76,7**	**37,9**	**32,1**	**17,1**
Minorities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Group Equity	**59,4**	**29,4**	**19,7**	**12,8**	**11,0**	**76,7**	**37,9**	**32,1**	**17,1**
Provisions	2,5	3,3	7,4	8,6	14,7	8,7	14,3	21,5	22,9
t/o Pension Provisions	0,0	0,0	0,1	0,1	0,2	0,1	0,1	0,2	0,2
Other Liabilities	5	6	24,8	18,5	38,6	14,6	47,8	46,4	60,1
Total Liabilities	**7,7**	**9,0**	**32,2**	**27,0**	**53,2**	**23,3**	**62,1**	**67,9**	**82,9**
t/o Interest Bearing Liabilities	3,1	0,4	0,9	1,0	1,8	1,1	1,7	2,6	2,8
t/o Non Interest Bearing Liab. <1Y	4,5	8,7	19,4	22,3	38,2	22,7	37,3	56,0	59,5
Balance Sheet Total	**67,1**	**38,4**	**51,9**	**39,8**	**64,2**	**100,0**	**100,0**	**100,0**	**100,0**





Key Ratios & Margins

Fiscal Year 31/12 • US GAAP	02	03	04e	05e	06e
Profitability (%)					
Gross Profit/Total Sales	100,0	100,0	51,2	57,3	56,2
EBITDA/Total Sales	-1.111,4	-1.647,1	-115,7	-31,9	-4,1
EBITA/Total Sales	-1.148,6	-1.705,9	-122,3	-34,7	-5,8
EBIT/Total Sales	-1.148,6	-1.705,9	-122,3	-34,7	-5,8
EBT/Total Sales	-1.111,4	-1.829,4	-115,7	-32,4	-4,9
Adj. Net Profit/Total Sales	-1.111,4	-1.829,4	-115,7	-32,4	-4,9
Free Cash Flow/Total Sales	-1.102,9	-1.490,6	-29,8	-12,4	27,8
Cost-Structure (%)					
Material Exp./Total Sales	0,0	0,0	48,8	42,7	43,8
Personnel Exp./Total Sales	205,7	464,7	43,0	28,2	16,4
Depreciation/Total Sales	31,0	60,6	8,3	4,7	2,7
Amortisation/Total Sales	0,0	0,0	0,0	0,0	0,0
Taxes/EBT	0,0	0,0	0,0	0,0	0,0
Productivity (€ '000)					
No. of Employees (Avg. / Year)	157	113	116	120	130
Total Sales/Employee	22,3	15,0	104,3	177,5	280,8
Personnel Exp./Employee	45,9	69,9	44,8	50,0	46,2
EBIT/Employee	-256,1	-256,6	-127,6	-61,7	-16,2
Value Added/Employee	-201,9	-177,9	-75,9	-6,7	34,6
Cross Ratios (%)					
Capex / Total Sales	85,7	176,5	24,8	9,4	16,4
Inventories/Total Sales	0,0	0,0	0,0	0,0	0,0
Net Working Capital/Total Sales	-88,2	-461,5	-144,2	-94,3	-94,3
Equity Ratio	88,6	76,7	37,9	32,1	17,1
Gearing	4,6	1,1	1,7	2,6	2,8
Net Debt/Equity	-76,9	-71,7	-150,1	-107,5	-165,3
Net Debt/Free Cash Flow	118,4	83,3	819,6	518,7	-178,8
Return on Equity (net)	-65,4	-105,6	-71,2	-54,0	-16,4
Return on Capital Employed	-221,3	-213,7	-173,8	-72,6	-14,5
Goodwill/Equity	15,5	31,3	46,8	72,1	83,9
Goodwill/Balance Sheet Total	13,7	24,0	17,7	23,1	14,3
EBITDA/Goodwill	-421,6	-303,5	-152,2	-73,9	-16,3
EV-Based Valuation (x)					
EV/Tot.Sales	0,2	47,2	7,3	4,3	2,7
EV/EBITDA	0,0	-2,9	-6,3	-13,5	-65,2
EV/EBITA	0,0	-2,8	-6,0	-12,4	-46,6
EV/EBIT	0,0	-2,8	-6,0	-12,4	-46,6
EV/Free Cash Flow	0,0	-3,2	-24,5	-34,8	9,6
EV/Capital Employed	0,0	5,9	10,4	9,0	6,8
Calc. Of Capital Invested (€ m)					
Total Fixed Assets	16,8	16,0	19,5	22,9	40,5
Accumulated Depreciation of TFA	4,4	5,4	6,4	7,4	8,4
Net Working Capital (NWC)	-3,1	-7,8	-17,4	-20,1	-34,4
Capital Employed (CE)	**18,2**	**13,6**	**8,5**	**10,2**	**14,5**
Net Debt (+) / Cash (-)	-45,7	-21,1	-29,5	-13,7	-18,1
Avg. Market Cap.	44,8	113,6	113,6	113,6	113,6
Avg. Net Debt (+) / Cash (-)	-44,2	-33,4	-25,3	-21,6	-15,9
Other Items	0,0	0,0	0,1	0,1	0,2
Enterprise Value (EV)	**0,6**	**80,2**	**88,4**	**92,1**	**97,8**

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