



9-Months Report 2001

Dear Shareholders and Business Partners,

During the first nine months of the financial year 2001, MediGene has not only pursued its corporate development according to plan but has also achieved a number of important milestones. MediGene's corporate development was not affected by the recent weakening of the economic environment.

We would like to briefly summarize the major results of the third quarter of 2001:

- The development of our product candidate Leuprologel™ for the treatment of prostate cancer is on track:** Our cooperation partner Atrix Laboratories, Inc. has successfully completed the phase 3 clinical trial for the Three-Month depot in the USA and submitted a Marketing Authorization Application to the US regulatory authority FDA (Food and Drug Administration). On the basis of this data, MediGene is now preparing an application for European Marketing Authorization.
- Acquired licenses and granted patents have significantly increased the commercial potential of MediGene's oncolytic herpes simplex virus technology.** Thus the integration of our US subsidiary MediGene, Inc. bears additional fruit: two recently signed license agreements and one granted patent originated in MediGene, Inc. The license agreements were concluded with two renowned institutions in the USA, i.e. the Sloan-



Dr. Peter Heinrich
Chief Executive Officer

Kettering Institute for Cancer Research and the Children's Hospital Boston.

- Schering AG has reaffirmed our partnership in drug development by modifying our existing license and cooperation agreement.** The amendment removes MediGene's reimbursement obligations to Schering under the current contract, which MediGene had under certain events. Therefore, MediGene will be able to reverse deferred revenues and enter the amount of EURO 2,3 million in the p & I statement as other operating income. Future milestones and royalties payable by Schering to MediGene will be adjusted.
- The Clinical Development, Project Management, Quality Assurance and Regulatory Affairs divisions have been extended by additional staff.** Furthermore

Dr. Claudius Wamlek was appointed Vice President and Head of MediGene's Business Development division. Dr. Wamlek will further push along the extension of our technology and product portfolios and add his experience to conclude new cooperation agreements. Prior to joining MediGene, Dr. Wamlek was Vice Director of Pharma Licensing at Roche.

We would further like to point out that we have achieved a number of ambitious goals in the first six months of this year:

- The acquisition of the US biotech company NeuroVir Therapeutics, Inc. and the expansion of our new site in San Diego, USA.**
- The acquisition of the European marketing rights for the drug Leuprologel™ for the treatment of prostate cancer.**
- The initiation of two new clinical trials: Polyphenon™E was the first product of a German biotech company that entered the final drug development stage. Furthermore, MediGene was the first company in Europe that obtained the regulatory authorities' approval to conduct clinical trials for the therapeutic use of adeno-associated viruses (AAV) in humans.**
- The conclusion of a cooperation agreement with Evotec OAI for the systematic screening for novel drugs to treat certain cardiac diseases, based on MediGene's results of research.**

It is our goal to increase MediGene's value by creating sustained growth and to offer an attractive long-term investment opportunity to our shareholders. In order to achieve this, we will continue to pursue our strategy of establishing a fully integrated biopharmaceutical company. We are currently working at full stretch to establish the final links of the value chain in drug development, i.e. the steps "Regulatory Affairs" and "Marketing". In future, MediGene will be in a position to exploit the full potential of biopharmaceutical product development from molecular analysis of a disease to the marketing of proprietary drugs.

Our plans for the rest of the financial year 2001 are:

- The submission of a European Marketing Authorization Application for the One-Month depot of Leuprologel™.
- The preparation of the second phase 3 clinical trial of Polyphenon™E for the treatment of genital warts. The first phase 3 trial was finalized in October with excellent results.
- The initiation of the phase 2 clinical trial for G207 for the treatment of brain tumors.
- Progress in the screening for novel drug candidates on the basis of the targets validated within our cardiac research program. Screening takes place in MediGene's research program as well as in cooperation with Evotec OAI.

MediGene is well on its way to becoming a leading European biopharmaceutical company. We would like to thank all our shareholders for the confidence you have put in MediGene and for the investments made. We would also like to express our special thanks to all employees and business partners who significantly contributed to our success.

With best regards,
MediGene AG



Dr. Peter Heinrich
Chief Executive Officer

MediGene on its way towards becoming a leading European biopharmaceutical company

During the first nine months of the financial year 2001, MediGene has achieved further important milestones and significantly driven forward corporate growth. MediGene has taken the appropriate steps to be successful in international competition:

- (1) A mature and well-balanced product pipeline with seven product candidates in different stages of clinical development, including the blockbuster candidate Etomoxir, lays the foundation for steady and sustainable growth.
- (2) Five different technologies with tremendous innovation potential will supply new candidates for MediGene's clinical development portfolio. This portfolio is further supplemented by biological and chemical active substances.
- (3) MediGene's Integrated Target Definition Program (ITD), an integrated platform technology from gene to drug, constitutes a powerful product generator. The cooperation with Evotec OAI in the screening for novel drugs to treat cardiac diseases significantly enhances the value creation potential of the ITD platform.

(4) The continuation of partnerships with the renowned pharmaceutical enterprises Aventis and Schering prove the competitiveness of MediGene's technologies. These cooperations already contribute to our revenues.

(5) A broad patent and license portfolio secures the commercial exploitation potential of MediGene's products and technologies.

(1) A mature and well-balanced product pipeline

MediGene is currently testing seven drug candidates in the fields of cardiac and tumor diseases for therapeutic use in patients. It is the first German biotech company with drug candidates in the stage of application for marketing authorization (*LeuprogeI™*) and phase 3 of clinical testing (*Polyphenon™E*).

LeuprogeI™ – preparation of the application for Marketing Authorization is on track

MediGene's partner, Atrix Laboratories, Inc. has successfully completed clinical development of the One-Month and Three-Month depot and submitted a Marketing Authorization Application to the US regulatory authority FDA. Based thereupon, MediGene is planning to submit the application for European Marketing Authorization for the One-Month depot by the end of this year.

Product (Disease)	Clinical Phase			Registration	Peak Sales Potential € Mio / p.a. ¹⁾
	1	2	3		
Leuprogel™ (Prostate Cancer)	→				>50
Polyphenon™E (Genital Warts)	→				>50
Etomoxir (Congestive Heart Failure)	→				>>500
G207 (Brain Tumors)	→				>300
CVLP-Vaccine (Precursors of Cervical Cancer)	→			Schering	>250 ²⁾
NV1020 (Liver Metastases)	→				>200
rAAV-Vakzine (Malignant Melanoma)	→			Aventis	>200 ²⁾

1) analysts' estimates 2) Revenues from partners included

In April 2001 MediGene acquired the European marketing rights for the depot product Leuprogel™ for the treatment of advanced prostate cancer from Atrix Laboratories, Inc. In this disease the male sex hormone testosterone promotes tumor growth. Therefore the present standard therapy against prostate cancer is a testosterone suppressing medication. Leuprogel™ combines this standard therapy and a novel drug delivery system, developed by Atrix Laboratories, Inc., the so called

Atrigel®-depot technology. The Leuprogel™-depot offers major therapeutic benefits: the first injection already leads to long-term testosterone suppression below the demanded level. Side-effects like short-term increase of the testosterone level after repeated drug administration have not been observed with Leuprogel™. In addition, the small injection volume of Leuprogel™ and the possibility of using very small syringes provide a very gentle drug delivery system for the patients.

Convincing data from phase 3 clinical trial of Polyphenon™E

The results from the first phase 3 clinical trial of Polyphenon™E for the treatment of genital warts are very convincing: Polyphenon is safe and efficacious. Major goals were achieved like complete clearance of warts with low side effects and the identification of an optimal formulation.

To obtain Marketing Authorization from the US regulatory authority FDA two separate phase 3 clinical trials are required. MediGene is currently preparing the second phase 3 clinical trial which is planned to start in the first quarter of the financial year 2002.

Genital warts are benign but disfiguring and painful tumors, caused by infection with certain types of human papilloma viruses. MediGene believes that treatment with Polyphenon™E will offer significant benefits compared to existing therapies.

(2) Technologies with tremendous innovation potential

MediGene is developing oncolytic herpes simplex viruses as a technology for cancer therapy

MediGene's US subsidiary MediGene, Inc. is currently developing modified herpes simplex viruses (HSV) for the use in cancer therapy. These so-called oncolytic viruses are genetically modified to selectively destroy tumors without damaging healthy tissue. The HSV-technology forms the basis for novel therapeutics against brain tumors (G207) and liver metastases (NV1020). The HSV-platform is protected by a broad patent

portfolio, and may also be suited for the treatment of other malignant tumor diseases. The HSV-therapeutics G207 and NV1020 are currently undergoing clinical trials.

(3) Integrated Target Definition Program (ITD), an integrated platform technology from gene to drug

In the field of developing novel drugs to treat cardiac diseases, the cooperation with Evotec OAI significantly improved the efficiency of the drug screening process within MediGene's Integrated Target Definition-Program (ITD). The ITD-platform now constitutes a powerful product generator built of state-of-the-art technologies, combining all steps of drug development, from genetic analysis of diseases to the systematic screening for novel drugs. The first step in Intergrated Target Definition is the identification of proteins (targets) which are associated with a disease. The identified targets form the basis to systematically screen for novel drugs. MediGene retains all rights to the targets and substances discovered. The ITD-program is intended to fill MediGene's proprietary product pipeline and to provide new targets and substances which can be developed further with potential pharma partners.

Utilizing the ITD-platform, Etomoxir was identified as a potential treatment for congestive heart failure. Etomoxir is currently undergoing phase 2 clinical trials. Analysts estimate the annual peak sales potential at more than EURO 500 million. MediGene has acquired extended rights to Etomoxir for

additional mass indications in the area of cardiovascular diseases such as arteriosclerosis, angina pectoris, hypertension, cardiac infarction. Moreover, MediGene has acquired exclusive rights to a number of Etomoxir-related substances for the use in cardiac and non-cardiac indications.

(4) Partnerships with the renowned pharmaceutical enterprises Aventis and Schering

First clinical trial with AAV in Europe

End of June 2001, MediGene has initiated the phase 1/2 clinical trial for the tumor vaccine against malignant melanoma that is jointly developed with Aventis Pharma. In Europe it is the first time that genetically modified (recombinant) adeno-associated viruses (rAAV) are used for therapeutic purposes. The therapeutic vaccination is intended to activate the patient's immune system to destroy tumor cells and metastases in the body.

Positive development of the cooperation agreement with Schering

Schering and MediGene have modified their existing license and cooperation agreement. The amendment removes MediGene's reimbursement obligations to Schering under the old contract, which MediGene had under certain events. MediGene can now enter an additional EURO 2,3 million as other operating income. Future milestones and royalties payable by Schering to MediGene were adjusted.

MediGene and Schering are jointly developing a tumor vaccine for the treatment of cervical cancer and its precursors. This project is currently undergoing phase 1/2 clinical trials.

(5) A broad patent and license portfolio

MediGene pursues a consistent strategy of protecting proprietary technologies and products by patents and licenses, in order to fully exploit their commercial potential. Numerous international patent applications have been filed during the period reported, and the existing portfolio was further supplemented by newly granted patents and acquired licenses.

Exclusive option on discoveries in the field of novel cancer therapies

In August, MediGene has acquired an exclusive option on new cancer therapies from the Sloan-Kettering Institute for Cancer Research in New York. This contract refers to discoveries regarding chemotherapy in combination with MediGene's proprietary HSV technology. Pre-clinical data indicate that combining chemotherapy with HSV therapy may lead to an enhanced efficacy.

Exclusive license acquired for promising gene shuttles

Early in September, MediGene has concluded an agreement with the Children's Hospital Boston, regarding the exploitation of basic patents in amplicon technology. This technology uses shells of herpes simplex viruses (HSV) as "shuttles" for the transport of therapeutic genes. The combination of virus shell and therapeutic gene is called amplicon. The new world-wide exclusive license allows MediGene to use the HSV gene ferries for both prophylactic and therapeutic applications in humans as well as for research purposes. The agreement also entitles MediGene to grant sublicenses, which constitutes a significant asset for MediGene.

US-patents on AAV technology granted

In the first nine months, two additional US-patents were granted, protecting MediGene's technology based on recombinant adeno-associated viruses (rAAV). MediGene and Aventis Pharma have entered into a strategic alliance to develop a tumor vaccine against malignant melanoma. This novel vaccine is currently undergoing a phase 1/2 clinical trial in Europe.

"With the successful completion of the first phase 3 clinical trial with Polyphenon E to treat genital warts, MediGene proved to be able to develop efficacious treatments to the benefit of patients."



Dr. Johanna Holldack
Chief Operating Officer

Financial Report

CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2001 AND DECEMBER 31, 2000

MediGene	September 30, 2001 Reviewed	December 31, 2000 Audited
[TEUR]		
Assets		
A. Current assets		
I. Cash and cash equivalents	65,946	92,903
II. Short-term investments/ Marketable securities	28,899	22,323
III. Trade accounts receivable	221	3,621
IV. Inventories	288	409
V. Prepaid expenses and other current assets	1,771	123
Total Current Assets	97,125	119,379
B. Fixed assets		
I. Property, plant & equipment	3,360	2,070
II. Intangible assets	226	0
Total Fixed Assets	3,586	2,070
C. Goodwill	9,779	0
D. Long-term assets		
I. Investments	5,995	3,117
II. Loans to affiliate	0	3,224
III. Others	140	0
Total long-term assets	6,135	6,341
Total assets	116,625	127,790

US-GAAP, totals may vary due to roundings

CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2001 AND DECEMBER 31, 2000

MediGene	September 30, 2001 Reviewed	December 31, 2000 Audited
[TEUR]		
Liabilities and shareholders' equity		
A. Current liabilities		
I. Current portion of capital lease obligation	419	420
II. Trade accounts payable	1,072	1,825
III. Accrued expenses	1,721	844
IV. Deferred revenues	962	3,338
V. Other current liabilities	642	1,208
Total current liabilities	4,816	7,635
B. Long-term liabilities		
I. Long-term debt, less current portion	1,882	837
II. Capital lease obligation, less current portion	431	459
III. Pension accrual	30	30
IV. Others	34	36
Total long-term liabilities	2,377	1,362
C. Shareholders' equity		
I. Share capital	11,183	10,107
<i>Number of shares issued and outstanding:</i>		
<i>September 30, 2001: 11,183,071;</i>		
<i>December 31, 2000: 10,106,722</i>		
II. Additional paid-in capital	217,905	128,331
III. Accumulated deficit	-121,218	-19,522
IV. Accumulated other comprehensive income	2,064	-123
V. Currency translation adjustments	-501	0
Total shareholders' equity	109,433	118,793
Total liabilities and shareholders' equity	116,625	127,790

US-GAAP, totals may vary due to roundings

CONSOLIDATED INCOME STATEMENTS FOR THE PERIODS FROM JULY 1 TO SEPTEMBER 30 AND JANUARY 1 TO SEPTEMBER 30, 2001 AND 2000

MediGene	Quarterly Report III/2001 07/01/2001- 09/30/2001 Reviewed	Quarterly Report III/2000 07/01/2000- 09/30/2000 Reviewed	9-Months Report 01/01/2001- 09/30/2001 Reviewed	9-Months Report 01/01/2000- 09/30/2000 Reviewed
[TEUR]				
1. Total other operating income	3,037	1,039	5,883	3,352
2. Selling and marketing expenses	-212	-138	-584	-367
3. General and administrative expenses	-1,267	-629	-3,421	-1,339
4. Research and development expenses	-5,756	-4,612	-19,047	-9,972
5. Depreciation of goodwill	-554	0	-1,292	0
6. Depreciation of property, plant and equipment	-315	-110	-711	-291
7. Operating loss	-5,066	-4,450	-19,170	-8,617
8. Interest income and expenditure	818	1,185	2,992	-240
9. Income from investments	-5	0	402	0
10. Foreign currency exchange gains	31	194	620	110
11. Other income	0	0	2	0
12. Result before income taxes	-4,221	-3,071	-15,154	-8,747
13. Extraordinary expenses	0	0	-86,543	0
14. Net loss for the period	-4,221	-3,071	-101,697	-8,747
Per share data in EUR:				
Basic and diluted net loss	-0.38	-0.30	-9.30	-1.07
Weighted average number of shares outstanding	11,182,059	10,100,000	10,940,708	8,188,299

The number of shares used to calculate the diluted net loss per share equals the number of shares used to calculate the basic net loss, since the conversion of common stock equivalent would counteract the dilution effect. The section "Directors Holdings" explains the number of potentially diluting shares resulting from conversion of options and convertible bonds which might have a dilution effect on future earnings per share.

CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIODS FROM JANUARY 1 TO SEPTEMBER 30, 2001 AND 2000

MediGene	January 1, 2001- September 30, 2001 Reviewed	January 1, 2000- September 30, 2000 Reviewed
[TEUR]		
Cash flow from operating activities		
Net loss for the period (before and after tax)	-101,697	-8,747
<i>Adjustments:</i>		
Write-off in-process research and development	86,543	0
APB 25 expense on new options/convertible bonds	194	0
Unrealized exchange loss on foreign currency transactions	-21	0
Write-off of premium on purchase of Atrix, Inc. shares	739	0
Depreciation	2,002	291
Realized holding losses on securities	79	79
<i>Changes in assets and liabilities:</i>		
Inventories	121	-25
Other assets and prepaid expenses	3,449	651
Trade accounts payable	-1,379	430
Accruals	-1,415	-58
Other liabilities and deferred income	-2,943	-144
Net cash from operating activities	-14,327	-7,523
Cash flow from investing activities		
Purchases of property, plant and equipment	-1,288	-326
Sales of property, plant and equipment	0	32
Net cash investment in NeuroVir Therapeutics, Inc.	-1,145	-6,528
Purchase of Atrix, Inc. shares	-4,547	0
Purchase of securities	-71,563	-14,583
Disposals of securities	64,908	5,612
Net cash from investing activities	-13,635	-15,793

CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIODS FROM
JANUARY 1 TO SEPTEMBER 30, 2001 AND 2000

MediGene

	January 1, 2001- September 30, 2001 Reviewed	January 1, 2000- September 30, 2000 Reviewed
[TEUR]		
Cash flow from financing activities		
Proceeds from capital increases	261	118,162
Repayments of proceeds from silent partnerships/convertible bonds	0	-2,739
Proceeds from loans	1,044	694
Principal payments under finance lease obligations	-302	-137
Net cash from financing activities	1,003	115,980
Currency translation	2	0
Increase / decrease in cash and cash equivalents	-26,957	92,664
Cash and cash equivalents at beginning of period	92,903	10,149
Cash and cash equivalents at end of period	65,946	102,813

Supplementary schedule of non-cash financing activities:

In 2001, a total of 996,631 shares were issued to the value of TEUR 90,195, for the acquisition of NeuroVir Therapeutics, Inc.

Capital lease obligations of TEUR 273 incurred in 2001 when the company entered into leases for new equipment.

US-GAAP, totals may vary due to rounding

Notes and segment reporting

The quarterly reports should be read along with our annual report. The comments made in our annual report also apply to the quarterly reports and are not explicitly repeated.

As of March 1, 2001, MediGene, Inc., San Diego, USA is consolidated in the balance sheet. The expenses for G207 and NV1020, the two clinical development projects carried out by MediGene, Inc., have been included in the consolidated financial statement since March 2001. Therefore a comparison between the years 2001 and 2000 is not possible for these two projects. We have included a very detailed report on this acquisition in our 3-Months and 6-Months Reports 2001.

The company has signed an amendment to the license and collaboration agreement with Schering AG which has removed the company's obligations to Schering AG under the original contract terms to repay under certain circumstances up to 60% of certain payments received. The amounts of the potential repayments were included in deferred revenue as of December 31, 2000 and June 30, 2001. As a result of this amendment, an amount of TEUR 2,312 has been realized as revenue as of September 30, 2001 which had previously been included in deferred revenue.

Segment Reporting

9-Months Report 2001 [in TEUR]	HPV Indications	Oncology	Cardiology	Intersegment	Total Group
Other operating income	3,625	2,023	181	54	5,883
Operating expenses	-5,533	-8,623	-3,186	-5,709	-23,051
Depreciation	-184	-307	-111	-109	-711
Goodwill depreciation	0	0	0	-1,291	-1,291
Operating loss	-2,092	-6,907	-3,116	-7,055	-19,170

9-Months Report 2000 [in TEUR]	HPV Indications	Oncology	Cardiology	Intersegment	Total Group
Other operating income	1,772	1,320	244	15	3,351
Operating expenses	-5,651	-1,681	-1,753	-2,594	-11,679
Depreciation	-116	-66	-60	-48	-290
Goodwill depreciation	0	0	0	0	0
Operating loss	-3,995	-427	-1,569	-2,627	-8,618

US-GAAP, totals may vary due to rounding

Consolidated changes in shareholders' equity for the period from January 1, 2001 until September 30, 2001

[EUR]	Shares and share capital Reviewed	Capital reserves Reviewed	Accumulated losses Reviewed	Other comprehensive income Reviewed	Currency translation Reviewed	Total shareholders' equity Reviewed
Balance January 1, 2001	10,106,722	128,331,000	-19,522,137	-122,993	0	118,792,592
Net loss	0	0	-101,696,091	0	0	-101,696,091
Stock options exercised	79,718	181,742	0	0	0	261,460
ABP No. 25 expenses for new options/bonds	0	193,711	0	0	0	193,711
Other comprehensive income	0	0	0	2,186,751	0	2,186,751
Currency translation adjustments	0	0	0	0	-500,976	-500,976
Shares issued	996,631	89,198,474	0	0	0	90,195,105
Balance September 30, 2001	11,183,071	217,904,927	-121,218,228	2,063,758	-500,976	109,432,552

US-GAAP, totals may vary due to rounding

Independent Accountants Report

We have reviewed the accompanying consolidated balance sheet of MediGene group as of September 30, 2001 and the related consolidated profit and loss accounts and the consolidated cash flow statements for the three and nine months periods ended September 30, 2001 and 2000 and the consolidated changes in shareholders' equity for the nine months period ended September 30, 2001. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries to persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

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General Comments

Order situation

MediGene's current business activities are research and development of novel therapies and the advanced development of proprietary platform technologies. Therefore the company's order situation is not a relevant indicator of MediGene's business performance.

Revenues breakdown

Currently, revenues (accounting: "other operating income") are mainly generated within strategic alliances with MediGene's pharma partners Aventis and Schering. These mainly consist of research and development funding, milestone payments and license fees which MediGene receives from the partners. The amount of research and development

funding received depends on the costs accruing to MediGene for joint development projects. This means: the higher the expenses for joint development projects are, the higher MediGene's revenues are in the individual accounting periods. For this reason, revenues are no indicator of MediGene's overall performance.

Quantitative measuring of MediGene's present performance is not possible, as it depends on the results of clinical and pre-clinical trials conducted for marketing authorization of MediGene's drugs. The probability of obtaining marketing authorization for a drug grows with each stage of clinical development successfully completed. Before a marketing authorization application can be submitted, a drug candidate usually has to pass three phases of clinical trials successfully in which both safety and efficacy of the drug are evaluated.

[in TEUR]	Quarterly Report III/2001 July 1, 2001 - September 30, 2001	Quarterly Report III/2000 July 1, 2000 - September 30, 2000	9-Months Report January 1, 2001- September 30, 2001	9-Months Report January 1, 2000- September 30, 2000
R&D funding	1,775	739	3,392	2,469
Milestone payments	1,227	0	2,250	0
License fees	0	128	0	128
Research grants	31	163	218	739
Other income	4	9	24	16
Total	3,038	1,039	5,883	3,352

US-GAAP, totals may vary due to rounding

R&D activities, development of costs and prices

First product sales are planned for the year 2003 and 2004, respectively. Movement of costs and prices for the purchase of laboratory supply and third-party services is of secondary importance for research and development, as long as the costs remain within the usual scope. The results of clinical trials are of vital importance in drug development, since they are the decisive factor for a possible market entry of a new drug.

Six drug candidates of MediGene are currently undergoing clinical development. The Marketing Authorization Application for Leuproge^lTM, the seventh product candidate, is being prepared. MediGene is also exploring novel therapies utilizing its ITD-program, and screening for novel drugs in cooperation with Evotec OAI. In addition, MediGene's technologies and product candidates are object of further research and pre-clinical development.

Number of employees

The number of employees has increased from 134 as of June 30, 2001 to 146 as of September 30, 2001. 37 persons are employed by MediGene, Inc., San Diego. The average number of employees in the MediGene group was 122 during the first nine months of 2001.

Events of particular significance, which could effect business operations

At present, MediGene's operating activities cover research and development of novel drugs to treat cardiac diseases as well as specific benign and malignant tumors (cancer). Prior to commercialization of drugs it is necessary to conduct pre-clinical testing as well as clinical trials with patients and healthy volunteers, in order to obtain marketing authorization from the regulatory authorities responsible. Pre-clinical and early stage clinical trials usually do not yield sufficient information to make any prediction about a drug's safety and efficacy in humans, and they do not allow any conclusions about the results of final clinical trials. In case MediGene is unable to keep its development schedule or to conclude clinical trials successfully, this might have significant negative consequences for the company's financial situation and profitability. Up to now, MediGene has been able to report only positive results from current clinical trials.

In October 2001, MediGene reported very convincing results from the first phase 3 clinical trial of its product candidate PolyphenonTME for the treatment of genital warts. The initiation of a second phase 3 trial is planned for early next year. Upon successful completion of this trial and marketing authorization by the regulatory authorities, MediGene will be able to launch this product globally.

Industry Ratios

Cash position

Total cash and cash equivalents including securities was TEUR 94,845 at the end of the first 9 months of 2001, as against TEUR 115,226 on December 31, 2000.

Net cash burn rate

The changes in total cash and cash equivalents result in a net cash burn rate of TEUR 20,381 for the first 9 months of 2001 and an average net cash burn rate per month of TEUR 2,265.

Gross cash burn rate

The expenses for R&D, corporate development (selling expenses), general and administration and depreciation, which are often called gross cash burn rate, amounted to TEUR 25,054 for the first 9 months of 2001 and a monthly average of TEUR 2,784.

Capital quota

The share of cash and cash equivalents was 81% of total assets as of September 30, 2001. The equity ratio at the same time was 94%.

Personnel Changes in the Management or Supervisory Boards and Executive Employees

On October 1, 2001, Dr. Claudius Wamlek was appointed Vice President Business Development at MediGene. Dr. Wamlek has ten years of professional experience in the pharmaceutical industry. Prior to joining MediGene, Dr. Wamlek was Vice Director of Pharma Licensing at Roche Group, where he was in charge of world-wide licensing and business development in the field of diseases of the central nervous system. Dr. Wamlek studied and did his doctorate in law at the University of Innsbruck, Austria. He also received an M.A. degree in international relations at the Johns Hopkins University, Washington, D.C., and an MBA at INSEAD, France.

Directors Holdings and comments regarding own shares and stock options of directors and employees, according to § 160 clause 1, Nos. 2 and 5 of the German Stock Corporation Law

Directors	Position	Shares	Options	Warrants
Prof. Dr. Ernst-Ludwig Winnacker	Chairman of the Supervisory Board, Co-founder	322,500	38,700	1,600
Dr. Helmut Schühlsler	Deputy Chairman of the Supervisory Board	25,940	6,880	1,200
Prof. Dr. Dr. Ernst-Günter Afting	Member of the Supervisory Board	11,217	15,370	800
Dr. Pol Bamelis	Member of the Supervisory Board	330	0	400
Prof. Dr. Michael Hallek	Member of the Supervisory Board, Co-founder	284,738	5,590	800
Michael Tarnow	Member of the Supervisory Board	6,337	0	400
Total Supervisory Board		690,595	87,610	5,200
Dr. Peter Heinrich	Chief Executive Officer, Co-founder	537,500	60,636	2,000
Dr. Johanna Holldack	Chief Operating Officer	0	67,000	1,500
Total Executive Board		537,500	127,636	3,500
Total own shares	MediGene AG	0	0	0

(As of October 25, 2001)

Each option or warrant entitles the holder to buy one MediGene share.

Outstanding capital stock, option and conversion rights

As of June 30, 2001, the total outstanding capital stock was 11,181,046. In the third quarter of 2001, employees exercised a total of 2,025 stock options. On September 30, 2001, **total outstanding stock was 11,183,071**. The number of shares on a fully diluted basis was 11,609,319 on June 30, 2001. Within MediGene's employees stock ownership program, 108,238 warrants were issued to

employees and consultants, and 48,000 warrants were issued to the executive board. 731 options and 300 warrants were called in from employees leaving MediGene, and are therefore void. 800 warrants of former members of the supervisory board have also become void. Thus the total capital stock **on a fully diluted basis was 11,763,726** as of September 30, 2001.

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