MediGene

9-Months Report 2006

Growth

MediGene's Innovative Anti-Tumor Drug Pipeline

Products	Diseases	Clinical Phases	Approval	Marketed	Peak Sales Potential[1] (million €)
		I II III			
Eligard ®	Prostate Cancer				> 100[2]
Polyphenon® E Ointment	Genital Warts				> 150[3]
	Actinic Keratosis[4]				> 200
EndoTAG-1	Pancreatic Cancer				> 200
	Breast Cancer				> 1,000
	Other Solid Tumors				> 400
HSV (NV1020)	Colon Liver Metastases				> 300
HSV (G207)	Brain Tumors (Glioblastoma)				> 200
Rhudex®	Rheumatoid Arthritis				> 1,500
Chance of reaching the market:		10 – 30 %	40 – 60 %	60 – 80 %	90 %

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

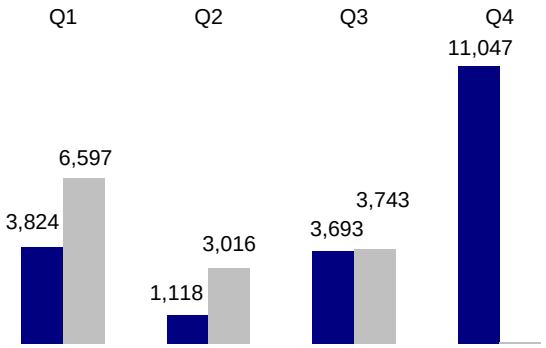
[2] Marketing partnership with Astellas Pharma Europe Ltd.
[3] Marketing partnership with Bradley Pharmaceuticals, Inc.
[4] Precursor of a specific type of skin cancer

MediGene's Key Figures 9-Months Report 2006

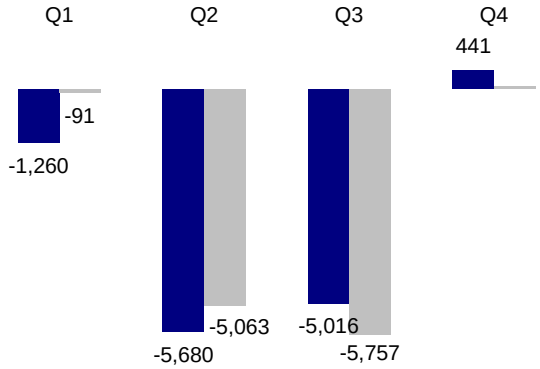
In T€	Q3 2006	Q3 2005	Change	9M 2006	9M 2005	Change
Income statements						
Revenues	3,587	3,651	-2 %	12,949	8,529	52 %
Other operating income	156	42	>200 %	407	106	>200 %
Gross profit	900	919	-2 %	6,926	4,585	51 %
Cost of goods sold	2,843	2,774	2 %	6,430	4,050	59 %
Selling, general, and administrative expenses	1,640	1,693	-3 %	4,588	4,741	-3 %
Research and development expenses	5,016	4,242	18 %	13,250	-11,799	12 %
Operating result (EBIT)	-5,756	-5,016	-15 %	-10,912	-11,955	9 %
Result before income tax	-5,444	-4,846	-12 %	-9,983	-11,175	11 %
Net result	-5,444	-4,847	-12 %	-9,983	-11,172	11 %
Result per share (undiluted)	-0,26	-0,26	1 %	-0,50	-0,60	18 %
Weighted average number of shares	20,620,452	18,563,356	11 %	20,145,177	18,548,248	9 %
Personnel expenses	2,508	2,411	4 %	7,362	7,240	2 %
Cash flow						
Cash flow from operating activities	-2,708	-8,332	67 %	-9,656	-15,348	37 %
Cash flow from investing activities	6,163	-14	< 200 %	5,964	-363	< 200 %
Cash flow from financing activities	363	224	62 %	15,547	728	> 200 %
Balance sheet data as at September 30, 2006						
Cash and cash equivalents	49,496	44,737	11 %			
Balance sheet total	127,704	68,274	87 %			
Current liabilities	58,035	5,944	> 200 %			
Long-term liabilities	12,491	1,856	> 200 %			
Shareholders' equity	51,178	60,474	-5 %			
Equity ratio	45 %	89 %	-50 %			
Employees as at September 30, 2006	168	105	60 %			
MediGene share as at September 30, 2006						
Number of shares issued	20,620,452	18,565,259	11 %			
Share price (Closing price, XETRA)	5,92	7,91	-25 %			
Dividend in €	0	0	-			

MediGene's Performance 2006 / 2005

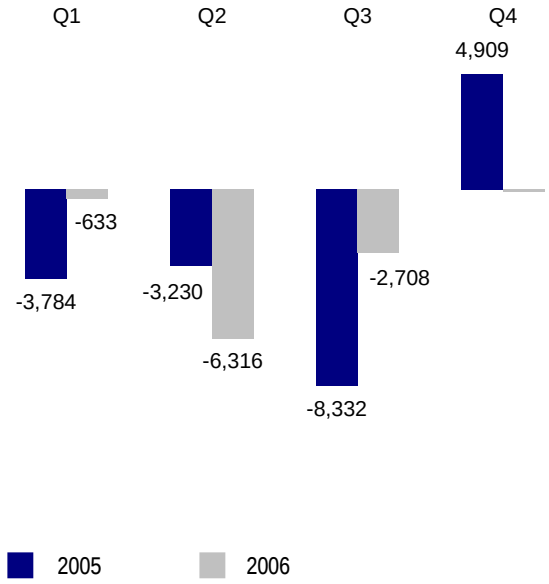
Total Revenues
in T€



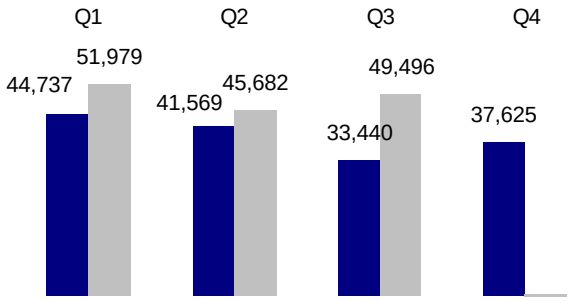
Operating Result (EBIT)
in T€



Cash Flow from Operating Activities
in T€



Cash and Cash Equivalents
in T€

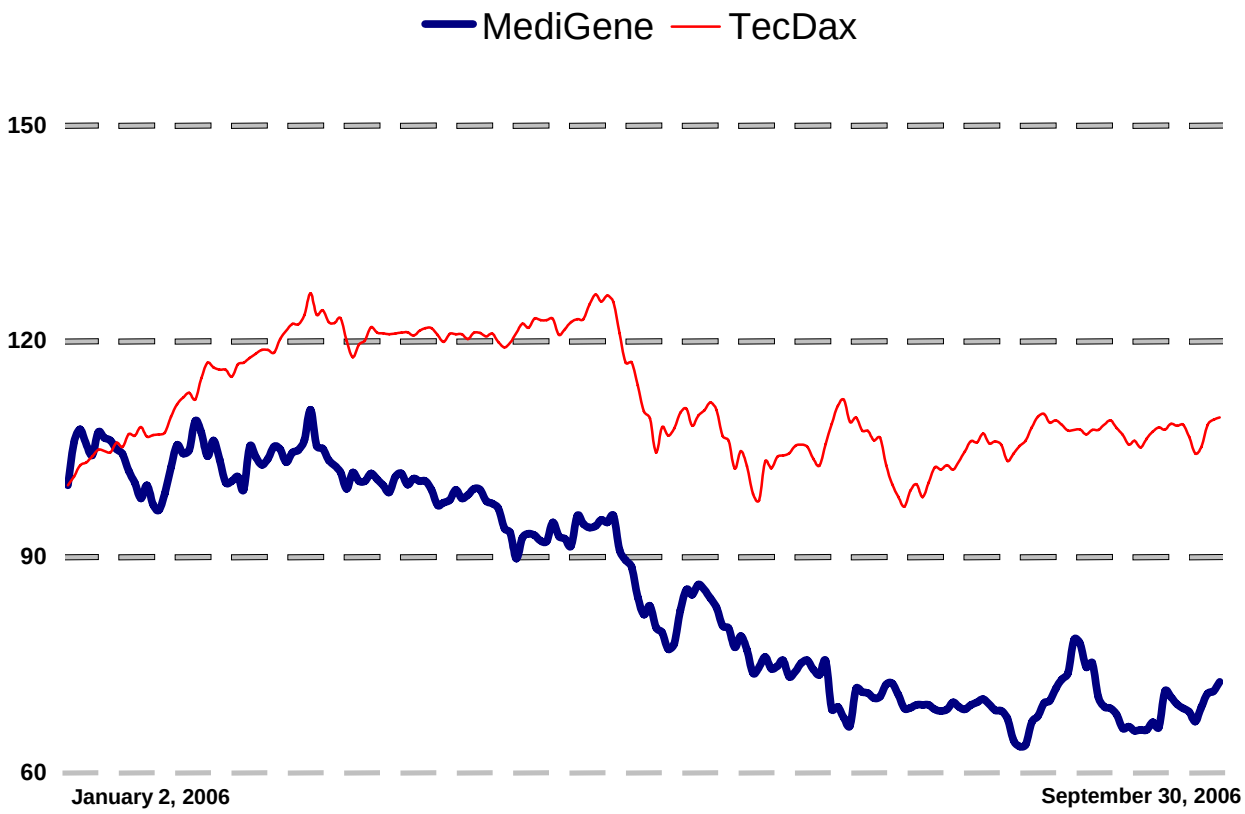


Contents

Our Share

The MediGene Share Price

(January 2, 2006 8.35 € indexed to 100)



Key Figures for the MediGene Share

€	9M-2006	9M-2005
9-Months high	9.23	11.66
9-Months low	5.32	7.33
Price at beginning of the year	8.35	8.70
Closing price	5.92	7.91
Average price since beginning of the year	7.19	9.61
Weighted average number of shares	20,145,177	18,584,248
Average market capitalization (million €)	145	178
Average daily trading volume in shares	159,739	136,463
Total number of shares outstanding (September 30, 2006)	20,620,452	18,522,684
Cash flow from operating activities / share *	-0.47	-0.79
Shareholders' equity / share *	2.77	2.69
Free Float	100 %	94,5 %

* Reference: Total shares outstanding

INTERIM MD&A Q3-2006 / 9M-2006

FINANCIAL DEVELOPMENT IN THE FIRST NINE MONTHS

- Significant increase in total revenues to 13.4 million € compared to 8.6 million € (9M-2005)
- Net loss declined to -10.0 million € compared to -11.2 million € (9M-2005)
- Average monthly net cash burn rate from operating activities decreased to -1.0 million € compared to -1.7 million € (9M-2005)
- Cash and cash equivalents at closing date 49.5 million € (December 31, 2005: 37.6 million €)

MAJOR EVENTS SINCE THE BEGINNING OF THE YEAR

- Acquisition of Avidex Ltd. (Oxford, UK) by MediGene against shares to the amount of 50 million €
- Conclusion of a partnership with Bradley Pharmaceuticals, Inc. for the development and commercialization of the Polyphenon® E Ointment in the USA, amounting to 69 million US dollars, plus royalties on future product sales
- Conclusion of a cooperation agreement with the German Cancer Research Center for the development of therapeutic monoclonal antibodies against the ovarian cancer protein L1
- Eligard® market launch in France and other European countries

KEY PRODUCT PORTFOLIO ADVANCES

- US Approval for the Polyphenon® E Ointment for the treatment of genital warts (October 31, 2006)
- First data on efficacy of the cancer-killing virus NV1020 received in an ongoing clinical phase I/II trial
- Patient enrollment for the phase II trial of EndoTAG-1 in the indication pancreatic cancer proceeds according to schedule
- Preparation of an additional phase II trial of EndoTAG-1 in the indication triple-receptor-negative breast cancer

PRELIMINARY NOTES

MediGene develops drugs to combat cancer and autoimmune diseases

MediGene's core competence is research into and development of novel approaches for the treatment of various types of cancer and autoimmune diseases. Thus MediGene focuses on indications of high medical need and great economic opportunities. MediGene's first drug, Eligard®, is marketed in Europe by the marketing partner Astellas Pharma Europe Ltd. The second drug, the Polyphenon® E Ointment, was approved for marketing in the USA at the end of October 2006. A corresponding New Drug Application for Europe is scheduled for submission before the end of this year. In addition, MediGene is conducting clinical trials of several oncological drug candidates, e.g. EndoTAG-1 and the oncolytic herpes simplex viruses G207 and NV1020. In September 2006, MediGene acquired Avidex Limited, Abingdon, Oxfordshire, UK by issue of new shares. The acquired company's development portfolio includes drug candidates against cancer and autoimmune diseases, as well as the innovative mTCR platform technology for drug development.

MediGene's three-months as well as nine-months revenues increased

Compared to last year's third quarter, MediGene's revenues slightly increased to 3,743 T€ (Q3-2005: 3,693 T€), and in the first nine months they rose by 55 % to 13,356 T€ (9M-2005: 8,635 T€). Net loss in the third quarter increased by 12 % to -5,444 T€ (Q3-2005: -4,847 T€), whereas the net loss for the first nine months was reduced by 11 % to -9,983 T€ (9M-2005: -11,172 €).

MediGene acquired Avidex Ltd. (Oxford, UK) against shares to the amount of 50 million €

On August 30, 2006, MediGene signed a contract for the acquisition of the British biotech company Avidex Ltd. By the acquisition of this privately held company located in Oxford, MediGene has added several drug candidates against cancer and autoimmune diseases to its portfolio, and gained another platform technology for the development of new drugs. The company's lead product RhuDex®, an orally available CD80 inhibitor, is estimated to achieve annual peak sales of more than 1.5 billion € and will soon enter into a phase IIa clinical trial for the treatment of rheumatoid arthritis. Several other drug candidates with a high commercial potential are currently in research and preclinical development stages. The innovative monoclonal T cell receptor (mTCR) technology platform will provide a basis for additional new drugs. Avidex already has concluded a partnership with the Swiss group Syngenta AG for the field of indications allergies. A purchase price for Avidex Ltd. of approximately 50 million € in the form of new MediGene shares was agreed upon. The UK-based company will remain at its premises in Oxford and will be operated as a subsidiary of MediGene AG.

On September 27, 2006, MediGene acquired 100% of the Avidex shares outstanding, as well as the corresponding voting rights. As a consideration the Avidex shareholders will receive a total of 8,157,787 new MediGene shares in exchange for all Avidex shares outstanding. For this purpose the MediGene AG Executive Board has, with the Supervisory Board's consent, decided upon a capital stock increase by 8,030,618 € to 28,651,070 € under utilization of the approved capital, by transfer of the Avidex shares and exclusion of the shareholders' stock subscription right. In addition, there are still options at Avidex Ltd. which will be exercised. By means of a noncash capital increase against up to 127,169 MediGene shares, the Avidex shares resulting from this exercise are also intended to be transferred to MediGene AG in the fourth quarter of 2006.

MediGene and Société Générale agreed on step-up financing

In order to secure the future financing of the acquired company Avidex Ltd., MediGene entered a so-called step-up financing agreement with the investment bank Société Générale, i.e. successive capital increase against cash contribution. Pursuant to this agreement, MediGene has the option of successively increasing the company's capital stock by up to 2 million € within a period of 18 months under utilization of the approved capital and exclusion of the existing shareholders' stock subscription right, with Société Générale being obliged under certain circumstances to subscribe for shares at a price close to the current market price. MediGene AG is not obliged to issue new shares.

Issue and date of issue are determined by MediGene alone. Société Générale will act as a financial intermediary and subscribe for and place a number of shares corresponding to the respective capital increase.

MediGene and Bradley Pharmaceuticals, Inc. (USA) entered into a marketing and development partnership for Polyphenon® E Ointment

Effective from January 30, 2006, MediGene has entered into a partnership with Bradley Pharmaceuticals, Inc. for the commercialization of its Polyphenon® E Ointment in the USA. The minimum contract period corresponds to the term of patent. Bradley Pharmaceuticals Inc., a US specialty pharmaceuticals company with a main focus on dermatological indications, will, upon approval, take on US promotion and commercialization of the drug for the treatment of genital warts. MediGene and Bradley also agreed upon a development partnership to examine the application of Polyphenon® E Ointment for the treatment of other skin diseases.

Depending on the achievement of specific milestones, MediGene will receive successive payments totaling up to 69 million US dollars. In addition, MediGene will receive royalties on sales of Polyphenon® E Ointment. Milestone payments are dependent on specific achievements in development, approval, and commercialization of the Polyphenon® E Ointment in the genital warts and actinic keratosis indications, and are linked to specific sales targets reached. Bradley Pharmaceuticals will take over the majority of the development costs for Polyphenon® E Ointment if it is developed in dermatological indications other than genital warts. MediGene holds the right to commercialize all of these developments outside the US, whereas Bradley holds the right to market Polyphenon® E Ointment in all dermatological indications within the USA.

MediGene closed a license agreement with Virionics Corporation (USA)

At the beginning of the second quarter 2006, MediGene granted a number of licenses to the US Virionics Corporation for the use of the CVLP vaccine program. CVLPs (chimeric virus-like particles) permit the production of a drug which may be applied as both a therapeutic against precursors of cervical cancer, and as a prophylactic vaccine against human papilloma viruses. MediGene's patents and know-how in the development of specific fusion proteins applied in the development of tumor vaccines against precursors of cervical cancer are major subjects of the contract. Virionics commits itself to initiate a clinical phase II trial of the tumor vaccine. In return, MediGene successively receives a share of up to 15% in Virionics, plus a participation in sales and future milestone payments in case sublicenses are granted to third parties. MediGene also holds pan-European marketing rights to the drugs developed.

Conclusion of a license agreement with the German Cancer Research Center for the development of a monoclonal antibody

In July 2006, MediGene entered into a cooperation agreement with the German Cancer Research Center (Deutsches Krebsforschungszentrum = DKFZ) in Heidelberg. Purpose of this cooperation is the therapeutic development of monoclonal antibodies against the ovarian cancer protein L1. After termination of the cooperation which is scheduled for a period of two years, MediGene will have the option to acquire an exclusive worldwide license on the application of anti-L1 antibodies in anti-tumor therapy. The L1 protein highly specifically occurs on the cell surfaces of malignant ovarian and endometrial tumors (ovarian and uterine cancer).

Capital increase lead to an increase of cash by 15.6 million €

On March 8, 2006, MediGene successfully closed a capital increase, raising the company's cash balance by 15,651,597 € by issue of new shares. In the course of the capital increase, 1,852,260 new shares at a price of 8.45 € each were placed with institutional investors in Europe and the USA. The company's capital stock has increased from 18,768,192 € by 1,852,260 € to 20,620,452 €. The additional cash shall serve for further expansion of the current product portfolio, and shall help us seize new licensing opportunities.

Development status of the company's product portfolio

MediGene's first drug, Eligard® for the treatment of advanced prostate cancer, is marketed in Germany and other European countries. Market launch in the individual countries was carried out by MediGene's marketing partner Astellas Pharma Europe Ltd., Staines, Great Britain („Astellas Pharma"; previously: Yamanouchi Ltd.). MediGene receives royalties on the sales of the drug in all countries. By year's end, market launch in Europe should be completed.

At the end of June 2006, the US regulatory authority FDA (Food and Drug Administration) announced the extension of its deadline for the completion of its review of the NDA for MediGene's Polyphenon® E Ointment. On October 31, 2006, MediGene obtained marketing authorization for Polyphenon® E Ointment, a drug for the treatment of external genital warts. US market launch of the drug by MediGene's US marketing partner Bradley Pharmaceuticals, Inc. is expected during the second half of 2007. The active substance in Polyphenon® E Ointment is an extract from green tea leaves with a defined catechin composition. MediGene expects an annual peak sales potential for Polyphenon® E Ointment in the indication genital warts of up to US$ 100 million in the USA. MediGene is also planning to submit marketing authorization applications for the drug in European countries before the end of this year. External genital warts are one of the most common and fastest spreading venereal diseases worldwide. They are benign, but disfiguring and contagious skin tumors in the genital and anal areas and are usually difficult to treat. Approximately 14 million people in North America and 15 million people in Europe are infected by human papilloma viruses (HPV type 6 or 11), which cause external genital warts.

In August 2005, MediGene initiated a clinical phase II trial of the drug candidate EndoTAG®-1 for the treatment of pancreatic carcinoma. EndoTAG-1 combines the established drug Paclitaxel with a carrier system which transports the substance specifically to newly formed blood vessels within the tumor. By destruction of the tumor blood vessels, the supply of nutrients is to be reduced, thus starving out the tumor. The trial investigates safety, tolerability, and particularly the clinical efficacy of various dosages of EndoTAG®-1 in combination with Gemzar®, a cytostatic drug already approved for the treatment of pancreatic carcinoma. Approximately 200 patients will be enrolled. An interim analysis of data collected with an emphasis on safety and tolerability of different dosages of the drug candidate in 100 patients is planned for the end of 2006.

In October 2006, the European Medicines Agency (EMEA) recommended granting of orphan drug designation for MediGene's drug candidate EndoTAG®-1 in the indication pancreatic cancer. This recommendation is subject to the European Commission's approval. The orphan drug designation ensures EU market exclusivity for the drug for a period of ten years following marketing authorization. Further benefits are a reduction of fees for the regulatory procedure, as well as assistance with the compilation of the protocol and of the clinical dossier. The intent of the EU orphan drug program is to support the development of therapies for rare and severe diseases.

Within the scope of two research grant programs, MediGene will receive a total of 1.8 million € for its EndoTAG® technology. In June 2006, the Bundesministerium für Bildung und Forschung, BMBF (Federal Ministry of Education and Research) has, within the scope of the BioChance Plus program, granted a sum of approximately 0.4 million € for the further development of the program. So far MediGene has been developing the EndoTAG® technology for the treatment of various types of cancer. The BMBF funds recently granted are intended for the development of EndoTAG® for the treatment of other diseases associated with pathological formation of new blood vessels. The funds will be provided over the next two years. In March 2006, the Bavarian Research Foundation already granted 1.4 million € to support the development of EndoTAG® in further indications.

Moreover, the efficacy of the oncolytic herpex simplex virus NV1020 for the treatment of liver metastases from colorectal carcinoma is currently investigated in a clinical trial. In mid-September 2006, MediGene presented data obtained in the interim analysis of the phase I/II trial of the cancer-killing virus NV1020 for the treatment of liver metastases in patients suffering from colorectal carcinoma. The data provided a clear indication of efficacy. The multicenter trial will be continued as scheduled, with the maximum virus dosage administered. In the first stage of the trial, 13 patients whose cancer was progressing despite treatment with chemotherapeutics and mainly monoclonal antibodies were medicated with oncolytic viruses in different dosages. The clinical data obtained as well as blood analyses suggest that the viruses have a dose-dependent therapeutic effect in the patients treated. All

patients receiving the maximum dosage showed either a disease stabilization or even a significant regression of liver metastases. Moreover, some of the patients showed regressing metastases in other organs as well, which indicates an effect of the viruses even beyond local application. Since the treatment shows a very good safety profile, the Data Safety Monitoring Board (DSMB), an independent board for the surveillance of the patients' safety, has unanimously recommended the continuation of the trial with the maximum dosage. Due to the encouraging efficacy trends, another 18 patients are to be enrolled in the second part of the trial which is conducted by several medical centers at renowned US universities.

At the beginning of June 2005, MediGene announced the initiation of a clinical phase I trial of the oncolytic herpes simples virus G207 for the treatment of malignant brain tumors, conducted at the University of Alabama, Birmingham, USA. The trial evaluates safety, tolerability, and efficacy trends of G207, as well as potential synergies with radiotherapy.

EARNINGS POSITION

These unaudited quarterly reports have been prepared pursuant to the International Financial Reporting Standards (IAS 34 "Interim Financial Reporting").

For detailed explanations of the quarterly statements, please see Notes (p. 20), and the consolidated financial statements 2005.

Total Revenues

Total revenues increased by 1 % to 3,743 T€ in the third quarter of 2006, (Q3-2005: 3,693 T€), and by 55 % to 13,356 T€ in the first nine months of 2006 (9M-2005: 8,635 T€). Third quarter 2006 revenues as well as last year reporting period's revenues have been generated solely from European sales of Eligard®. The fact that there was only a slight increase in the third quarter 2006 is a consequence of higher sales of Eligard® to Astellas in the third quarter of 2005 in order to build up a stock for the market launch in Europe. In the course of the market launch of the drug in France, MediGene also received milestone payments in the first six months of 2006. The revenues in the first nine months include first-time revenues from the commercialization of the Polyphenon® E Ointment. In the first quarter 2006, MediGene received a 5 million US dollar milestone payment due under the terms of a marketing partnership concluded with the US specialty pharmaceuticals company Bradley Pharmaceuticals, Inc. Other operating income mainly consists of public grants (p. 17).

Consolidated Income Statement (abbreviated)

in T€	Q3-2006 unaudited	Q3-2005 unaudited	Change	9M-2006 unaudited	9M-2005 unaudited	Change
Total revenues	**3,743**	**3,693**	**1 %**	**13,356**	**8,635**	**55 %**
Cost of sales	2,843	2,774	2 %	6,430	4,050	59 %
Gross profit	**900**	**919**	**-2 %**	**6,926**	**4,585**	**51 %**
Selling, general, and administrative expenses	1,640	1,693	-3 %	4,588	4,741	-3 %
Research and development expenses	5,016	4,242	18 %	13,250	11,799	12 %
Operating result (EBIT)	**-5,756**	**-5,016**	**-15 %**	**-10,912**	**-11,955**	**9 %**
Result before income tax (EBT)	**-5,444**	**-4,846**	**-12 %**	**-9,983**	**-11,175**	**11 %**
Net profit/loss for the period	**-5,444**	**-4,847**	**-12 %**	**-9,983**	**-11,172**	**11 %**

Cost of Sales

Cost of sales originated solely from the commercialization of the drug Eligard®. The cost of sales increased proportionally with the revenues from the sales of Eligard® and amounted to 2,843 T€ in the third quarter of 2006 (Q3-2005: 2,774 T€), and to 6,430 T€ in the first nine months of 2006 (9M-2005: 4,050 T€). The cost is allocated to the purchase of the drug, and to royalties paid to QLT, Inc. In 2001, MediGene had acquired the European marketing rights for Eligard® from QLT, Inc.

Gross Profit

In the third quarter, gross profit slightly decreased by 2 % to 900 T€ (Q3-2005: 919 T€). Comparing this year's with last year's nine-months reporting periods, however, gross profit improved by 51 % to 6,926 T€ (9M-2005: 4,585 T€). Milestone payments received in the first quarters of each reporting period had a positive impact on the nine-months gross profit. The gross profit amount is determined by milestone payments and the ratio of revenues from products sales to license payments, and may therefore be subject to substantial fluctuations comparing individual reporting

periods. In particular revenues from milestone payments have a positive effect on gross profit, since no costs are incurred from this.

General, Administrative, and Selling Expenses

Compared to last year's reporting period, general, administrative, and selling expenses decreased by 3 % to 1,640 T€ (Q3- 2005: 1,693 T€), and by 3 % to 4,588 T€ (9M-2005: 4,741 T€).

R&D Expenses

In the third quarter 2006, R&D expenses increased by 18 % to 5,016 T€ (Q3-2005: 4,242 T€). Comparing the nine-months reporting periods, R&D expenses increased by 12 % to 13,250 T€ (9M-2005: 11,799 T€). The main part of the R&D expenses was allocated to the clinical and pre-clinical development of the EndoTAG® program. The remaining R&D expenses mainly arose for the Polyphenon® E currently undergoing approval procedures, and for the HSV technology.
The drug candidate EndoTAG®-1 is currently undergoing a clinical phase II trial in the indication pancreatic cancer. At the same time the extension of the clinical development program is in preparation. A further phase II trial in the indication hormone-receptor-negative breast cancer is scheduled for initiation this year. Moreover MediGene expands pre-clinical research and development activities in the EndoTAG® technology, in order to open up new promising fields of application. In the third quarter of 2006, MediGene reported positive interim data obtained in a clinical trial of the drug candidate NV1020. This trial is continued with an additional 18 patients enrolled.

Depreciation

All in all, depreciation decreased by 27 % to 242 T€ in the third quarter of 2006 (Q3-2005: 333 T€). Comparing the nine-months reporting periods, depreciation decreased in the same range. Especially in R&D depreciation decreased. Depreciation for the third quarter is reported in the income statement under general, administrative, and selling expenses (21 T€), and under R&D expenses (221 T€).

Depreciation

in T€	Q3-2006 unaudited	Q3-2005 unaudited	Change	9M-2006 unaudited	9M-2005 unaudited	Change
Fixed assets	112	206	-46 %	287	687	-58 %
Intangible assets	130	127	2 %	417	251	66 %
Capital lease	0	0	- %	54	93	-42 %
Total	**242**	**333**	**-27 %**	**758**	**1,031**	**-26 %**

EBIT

The loss before interest and tax increased by 15 % to -5,756 T€ in the third quarter of 2006 (Q3-2005: -5,016 T€). In the first nine months of 2006, however, the loss decreased by 9 % to -10,912 T€ (9M-2005: -11,955 T€).

Financial Result

As a result of a higher amount of interest-bearing cash, the financial result increased by 84 % to 312 T€ in the reporting periods (Q3-2005: 170 T€) and by 19 % to 929 T€ (9M-2005: 780 T€). Foreign currency gains and losses result from fluctuations of the exchange rate between the Euro and the US Dollar.

Financial Result

in T€	Q3-2006 unaudited	Q3-2005 unaudited	Change	9M-2006 unaudited	9M-2005 unaudited	Change
Interest income	319	180	77 %	879	626	40 %
Interest expenses	6	36	-83 %	15	113	-87 %
Subtotal	**313**	**144**	**117 %**	**864**	**513**	**68 %**
Foreign currency gains/losses	-1	26	-104 %	65	267	-76 %
Total	**312**	**170**	**84 %**	**929**	**780**	**19 %**

9-Months Result

In the first nine months of 2006, MediGene reduced the net loss by 11 % to -9,983 T€ (9M-2005: -11,172 T€). This improvement results from an increase in total revenues generated by MediGene's present core products, Eligard®, and the Polyphenon® E Ointment. On a quarterly basis, the loss was reduced by 12 % to -5,444 T€ (Q3-2005: -4,847 T€).

Result per Share

In the first nine months 2006, the loss per share decreased by 18 % to -0.50 € (weighted average number of shares: 20,145,177). In last year's reporting period, a loss per share of -0.60 € was reported (weighted average number of shares: 18,548,248).). On a quarterly basis, the loss remained nearly unchanged at -0.26 € (weighted average number of shares Q3-2006: 20,620,452) and (weighted average number of shares in Q3-2005: 18,563,356) respectively.

ASSETS POSITION

Cash Position 49.5 Million €; Equity Ratio 45 %

Development of the assets and capital structure

in T€	September 30, 2006	December 31, 2005	Change
Assets			
Long-term investments	1,500	1,355	11 %
Goodwill	23,567	9,226	155 %
Fixed and intangibles assets	48,153	7,680	> 200 %
Cash and cash equivalents	49,496	37,625	32 %
Other current assets	4,988	1,176	> 200 %
Total	**127,704**	**57,062**	**124 %**
Liabilities and shareholders' equity			
Shareholders' equity	57,178	51,777	10 %
Long-term liabilities	12,491	312	> 200 %
Current liabilities	58,035	4,973	> 200 %
Total	**127,704**	**57,062**	**124 %**
Liquidity cover ratio	**39 %**	**66 %**	
Equity ratio	**45 %**	**91 %**	

Compared to the closing date December 31, 2005, the cash position increased by 32 % to 49,496 T€. Apart from cash flow from operating activities, cash and cash equivalents increased as a result of a capital increase closed in the first quarter of 2006 (net 14.9 million €), and of the acquisition of Avidex (6.2 million €) in September 2006. The decrease in equity ratio to 45 % is a consequence of the Avidex acquisition reported on the balance sheet. The new shares emerging from this acquisition had not yet been issued to the Avidex shareholders as at closing date. Therefore they are reported under current liabilities (financial obligations).

Financial Position

Cash flow from operating activities

Cash flow from operating activities amounted to -2,708 T€ in the third quarter of 2006 (Q3-2005: -8,332 T€), and -9,656 T€ in the first nine months (9M-2005: -15,348 T€).

Average monthly cash burn rate from operating activities

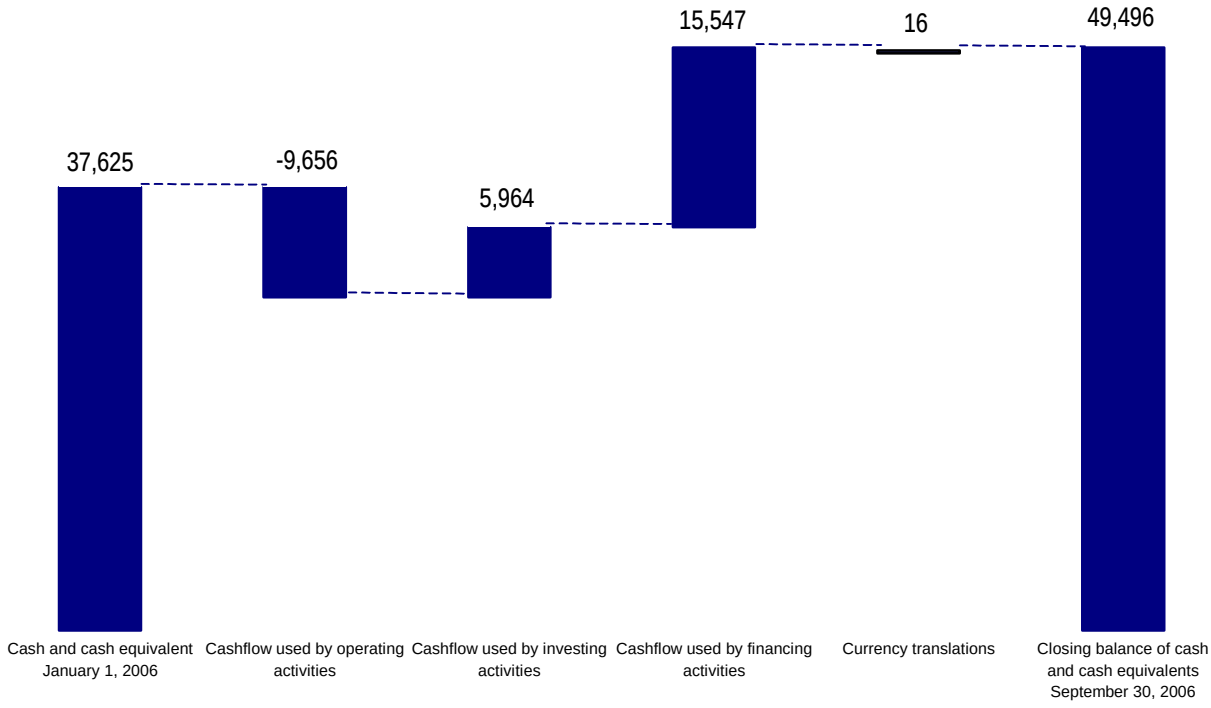
The average monthly net cash burn rate from operating activities in the third quarter was -0.9 million € (Q3-2005: -2.8 million €). During the first nine months the average monthly cash burn rate from operating activities was also significantly reduced to -1.0 million € (9M-2005: -1.7 million €).

Cash position increased

At the beginning of March 2006, MedGene successfully closed a capital increase, resulting in a net increase in the cash position by 14.9 million €. A total of 1,852,260 new shares at 8.45 € each was issued to institutional investors.

As a result of the acquisition of Avidex Ltd. closed in September 2006, the MediGene group generated proceeds of 6.2 million €.

Development of Cash and Cash Equivalents (in T€)



As at September 30, 2006, cash and cash equivalents totalled 49,496 T€. MediGene uses cash available for the development of the company's drug candidates.

Human Resources

Corporate headcount increased by 60 % during the first nine months of 2006, compared with last year's reporting period. The new hires are a consequence of the expanded R&D activities in the field of EndoTAG technology. Furthermore, corporate headcount increased by 43 as a consequence of the acquisition of Avidex Ltd. Since the additional employees are only included since September 27, 2006, they haven't yet contributed to an increase in personnel expenses during the first nine months of 2006.

Headcount as at closing dates September 30, and December 31

	9M-2006	9M-2005	Y-2005
MediGene AG	119	98	107
MediGene, Inc.	6	7	7
Avidex Ltd. *)	43	-	-
Total	**168**	**105**	**114**

*) since September 27, 2006

Personnel expenses

in T€	9M-2006	9M-2005	Change
Total	**7,362**	**7,240**	**2 %**

Legal Disputes

Prior to the market launch of Eligard®, MediGene had already filed a suit before the Federal Patent Court for invalidity of the German part of a European patent on specifically defined, high-molecular, biodegradable polymers of the company's competitors Takeda Chemical Industries, Ltd., and Wako Pure Chemical Industries, Ltd. In summer 2004, after the launch of Eligard®, Takeda Chemical Industries, Takeda Pharma GmbH, and Wako Pure Chemical Industries (Takeda/Wako) have sued the partners MediGene and Astellas Pharma GmbH (formerly Yamanouchi Pharma GmbH) before the Düsseldorf district court for alleged patent infringement. In this suit they argue that the commercialization of MediGene's and Astellas' drug Eligard® infringes the above mentioned plaintiffs' patent.

On April 20, 2005, the Third Nullity Senate of the German Federal Patent Court decided during a hearing that all claims asserted by Takeda and Wako against MediGene and Astellas before the Düsseldorf district court are invalid for the Federal Republic of Germany. Takeda and Wako have appealed against this decision before the Federal Court of Justice. A final judgment can't be expected until 2007. At the same time the Düsseldorf district court has abated the patent infringement proceedings until a legally binding decision in the nullity suit is made. The disputed patent expired at the beginning of May 2006.

In April and in May 2006, MediGene opposed the grant of European patent nos. EP 1 310 517 B1 and EP 1 330 293 B1 of Wako Pure Chemical Industries, Ltd. and Takeda Pharmaceutical Company Ltd., and Takeda Pharmaceutical Company Ltd., respectively. In parallel, patent infringement proceedings are ongoing in the USA between Takeda Abbott Pharmaceutical Product Inc., Takeda Chemical Industries, Ltd., and Wako Pure Chemical Industries, Ltd. as litigators, and MediGene's supplier and licensor, QLT Inc., as well as their US marketing partner Sanofi-Synthelabo, Inc. as respondents. At the moment we assume that this dispute will not have any impact on the sales of Eligard® in Europe. The US patent also expired at the beginning of May 2006.

In May 2003, in order to eliminate any legal uncertainties regarding Polyphenon® E, the company opposed European Patent no. EP 0 814 823 B1 of Indena S.p.A., Milan, which covers specific polyphenol fractions in tea. In June 2004, Indena S.p.A. thereupon restricted the patent to a scope which is of no significance for MediGene. In December 2005, the Opposition Division of the European Patent Office repealed the patent in its entirety. In February 2006, Indena appealed this decision. A decision by the board of appeal is expected in 2007 or 2008.

Major Events since End of Period under Review

MediGene AG obtains approval of the Polyphenon® E Ointment in the USA

On October 31, 2006, MediGene obtained marketing authorization from the US regulatory authority FDA (Food and Drug Administration) for Polyphenon® E Ointment, a drug for the treatment of external genital warts. US market launch of the drug by MediGene's US marketing partner Bradley Pharmaceuticals, Inc. is expected during the second half of 2007. For the approval of Polyphenon® E Ointment, MediGene will receive a milestone payment of US$ 14 million from its marketing partner Bradley Pharmaceuticals, Inc. The active substance in Polyphenon® E Ointment is an extract from green tea leaves with a defined catechin composition. MediGene expects an annual peak sales potential for Polyphenon® E Ointment in the indication genital warts of up to US$ 100 million in the USA. MediGene is also planning to submit marketing authorization applications for the drug in European countries before the end of this year. External genital warts are one of the most common and fastest spreading venereal diseases worldwide. They are benign, but disfiguring and contagious skin tumors in the genital and anal areas and are usually difficult to treat. Approximately 14 million people in North America and 15 million people in Europe are infected by human papilloma viruses (HPV type 6 or 11), which cause external genital warts. The approval for Polyphenon® E Ointment has been made out to the name Veregen™. The future trade name has to be decided yet.

Apart from that, no major changes to the state of business have occurred up to November 3, 2006.

Forecast

Forecast for the year 2006: revenues between 25-30 million €, net loss under 10 million €

Due to the marketing authorization of the Polyphenon® E Ointment obtained at October 31, 2006, MediGene expects to receive a milestone payment of approximately 11 million € from its marketing partner Bradley Pharmaceuticals. This milestone payment is included in the forecast for the year, just as the first-time consolidation of the subsidiary Avidex Ltd. as from September 27, 2006. For the remainder of the ongoing financial year, MediGene expects to generate further revenues from the commercialization of the drug Eligard®.

According to the revenues and results forecast for 2006, the expected year-end cash position is approximately 50 million €.

European market launch of Eligard® to be finalized in 2006

The one-month and three-months depot products of Eligard®, a hormone compound for the treatment of advanced prostate cancer, are marketed by MediGene's partner Astellas Pharma. Market launch in Europe is nearly completed. Market launch in Italy, accompanied by a milestone payment from Astellas Pharma are expected within the next months. In addition MediGene expects further increases in sales revenues resulting from the commercialization of the drug in the additional European countries.

Polyphenon® E Ointment – marketing authorization applications for Europe to be submitted

On October 31, 2006, MediGene obtained marketing authorization from the US regulatory authority FDA for Polyphenon® E Ointment, a drug for the treatment of external genital warts. US market launch of the drug by MediGene's US marketing partner Bradley Pharmaceuticals, Inc. is expected during the second half of 2007.

MediGene is planning to submit a marketing authorization application in Europe before the end of the financial year 2006.

EndoTAG®-1 – interim analysis of the ongoing clinical phase II trial and initiation of an additional phase II trial by year-end 2006

In August 2005, MediGene initiated a clinical phase II trial of the drug candidate EndoTAG®-1 for the treatment of pancreatic cancer. The trial investigates safety, tolerability, and particularly the clinical efficacy of various dosages of EndoTAG®-1 in combination with Gemzar®, a cytostatic drug already approved for the treatment of pancreatic cancer. Approximately 200 patients are to be enrolled in more than 30 centers in Europe. Patient recruitment is proceeding on schedule. An interim analysis of data collected with an emphasis on safety and tolerability of different dosages of the drug candidate in ca. 100 patients is planned for the end of 2006.

MediGene is currently preparing another clinical phase II trial of the drug candidate EndoTAG®-1 in the indication threefold hormone-receptor-negative breast cancer. The trial shall be initiated this financial year and will be conducted in Europe.

EndoTAG®-1 – extension of the preclinical development program to other indications planned

The extension of the EndoTAG®-1 application to other oncology and non-oncology indications will be a crucial factor for the full exploitation of the EndoTAG® technology's potential. At the same time MediGene is also researching on novel EndoTAG® compounds. The research grants received from the Bavarian Research Foundation and the Federal Ministry of Education and Research testify to the outstanding quality of the EndoTAG® research program. Income already generated by the products Eligard® and Polyphenon® E Ointment is intended to contribute to the financing of these projects.

Rhudex® – initiation of a clinical phase II trial in the fourth quarter of 2006

In the last quarter of 2006, MediGene plans to initiate a clinical phase IIa trial of the drug candidate Rhudex® in the indication rheumatoid arthritis with approximately 35 patients participating.

Headcount to increase during the financial year 2006

Corporate headcount including the new subsidiary Avidex Ltd. is expected to be 170 at the end of the year 2006.

Consolidated Balance Sheet

of MediGene AG as of September 30, 2006, and December 31, 2005

in T€	September 30, 2006 unaudited	December 31, 2005 audited
Assets		
A. Non-current assets		
I. Property, plant & equipment	1,377	1,137
II. Intangible assets	46,776	6,543
III. Goodwill	23,567	9,226
IV. Investments	1,403	1,258
V. Other assets	97	97
Total non-current assets	**73,220**	**18,261**
B. Current assets		
I. Inventories	454	0
II. Accounts receivable	2,277	2
III. Cash and cash equivalents	49,496	37,625
IV. Other current assets	2,257	1,174
Total current assets	**54,484**	**38,801**
Total assets	**127,704**	**57,062**
Liabilities and shareholders' equity		
A. Shareholders' equity		
I. Share capital	20,620	18,766
Number of shares issued and outstanding: December 31, 2005: 18,766,172 September 30, 2006: 20,620,452		
II. Additional paid-in capital	272,144	258,776
III. Accumulated deficit	-235,692	-225,710
IV. Other reserves	106	-55
Total shareholders' equity	**57,178**	**51,777**
B. Non-current liabilities		
I. Financial liabilities	98	115
II. Pension accrual	97	97
III. Other non-current liabilities	124	100
IV. Deferred taxes	12,172	0
Total non-current liabilities	**12,491**	**312**
C. Current liabilities		
I. Financial liabilities	0	118
II. Deferred income	667	667
III. Trade accounts payable	2,717	845
IV. Financial obligations	48,373	0
V. Other current liabilities	6,278	3,343
Total current liabilities	**58,035**	**4,973**
Total liabilities and shareholders' equity	**127,704**	**57,062**

IRFS

Totals may vary due to rounding

Consolidated Income Statements

of MediGene AG for the periods from July 1 to September 30, and January 1 to September 30, 2006, and 2005

in T€	Q3-2006 unaudited	Q3-2005 unaudited	9M-2006 unaudited	9M-2005 unaudited
1. Product sales	3,587	3,651	12,949	8,529
2. Other operating income	156	42	407	106
3. Total revenues	**3,743**	**3,693**	**13,356**	**8,635**
4. Cost of sales	2,843	2,774	6,430	4,050
5. Gross profit	**900**	**919**	**6,926**	**4,585**
6. Selling expenses	428	302	970	765
7. General and administrative expenses	1,212	1,391	3,618	3,976
8. Research and development expenses	5,016	4,242	13,250	11,799
9. Operating result (EBIT)	**-5,756**	**-5,016**	**-10,912**	**-11,955**
10. Interest income	319	180	879	626
11. Interest expenses	-6	-36	-15	-113
12. Foreign currency exchange gains/losses	-1	26	65	267
13. Result before income tax (EBT)	**-5,444**	**-4,846**	**-9,983**	**-11,175**
14. Tax	0	0	0	0
15. Net profit/loss from continued operations	**-5,444**	**-4,846**	**-9,983**	**-11,175**
16. Result from discontinued operations	0	-1	0	3
17. Net profit/loss for the period	**-5,444**	**-4,847**	**-9,983**	**-11,172**
Per share data in €:				
Undiluted	**-0.26**	**-0.26**	**-0.50**	**-0.60**
Weighted average number of shares outstanding	20,620,452	18,563,356	20,145,177	18,548,248

IRFS
Totals may vary due to rounding

Consolidated Changes in Shareholders' Equity
of MediGene AG for the periods from January 1 to September 30, 2006, and 2005

	Shares	Share capital	Capital reserves	Accumu-lated losses	Other reserves	Total share-holders' equity
		T€	T€	T€	T€	T€
Balance January 1, 2006 audited	**18,766,172**	**18,766**	**258,776**	**225,710**	**-55**	**51,777**
Net profit for the period				-9,982		-9,982
Unrealized loss from QLT Inc. shares					145	145
Currency translation adjustments					16	16
Comprehensive income						**-9,821**
Capital increase	1,852,260	1,852	13,799			15,651
Capital increase expenses			-800			-800
Exercised options/bonds	2,020	2	14			16
Expenses on new options/bonds			355			355
Balance September 30, 2006, unaudited	**20,620,452**	**20,620**	**272,144**	**-235,692**	**106**	**57,178**
Balance January 1, 2005 audited	**18,522,684**	**18,523**	**256,882**	**-213,665**	**-28**	**61,712**
Net loss for the period				-11,172		-11,172
Unrealized loss from QLT Inc. shares					-1,272	-1,272
Currency translation adjustments					-28	-28
Comprehensive income						**-12,472**
Capital increase						0
Capital increase expenses						0
Exercised options/bonds	42,575	42	220			262
Expenses on new options/bonds			360			360
Balance September 30, 2005, unaudited	**18,565,259**	**18,565**	**257,462**	**-224,837**	**-1,328**	**49,862**

IFRS
Totals may vary due to rounding

Consolidated Cash Flow Statements

of MediGene AG for the periods from July 1 to September 30, and January 1 to September 30, 2006, and 2005

in T€	Q3-2006 unaudited	Q3-2005 unaudited	9M-2006 unaudited	9M-2005 unaudited
Cash flow from operating activities				
Net profit/loss	-5,444	-4,847	-9,982	-11,172
Adjustments to reconcile net loss with cash used in operating activities:				
Expenses for new options/bonds	182	135	355	360
Depreciation	242	333	758	1.031
Gains/losses on sales of property, plant & equipment	2	-11	3	-19
Interest income	-319	-180	-879	-626
Interest expenses	6	36	15	113
Changes in:				
Inventories	-20	-1,342	-454	-1.799
Other assets and accrued income	-392	-2,262	-2,897	354
Trade accounts payable	1,370	390	1,691	1.335
Other liabilities and deferred income	1,665	-584	1,734	-4.925
Net cash used by operating activities	**-2,708**	**-8,332**	**-9,656**	**-15,348**
Cash flow from investing activities				
Purchases of property, plant & equipment	-79	-45	-278	-401
Sales of property, plant & equipment	1	31	1	38
Net cash from acquisition of Avidex Ltd,	6,241	0	6,241	0
Net cash from investing activities	**6,163**	**-14**	**5,964**	**-363**
Cash flow from financing activities				
Proceeds from capital increase	0	0	15,652	0
Expenses capital increase	0	0	-800	0
Proceeds from stock options	0	18	16	263
Proceeds from/repayments of convertible bonds	-19	16	-168	52
Interest received	311	195	871	640
Interest paid	103	61	94	-15
Principal payments under finance lease obligations	-32	-66	-118	-212
Net cash from financing activities	**363**	**224**	**15,547**	**728**
Currency translation	-4	-7	16	-37
Decrease/increase in cash and cash equivalents	**3,814**	**-8,129**	**11,871**	**-15,020**
Cash and cash equivalents at beginning of period	45,682	41,569	37,625	48,460
Cash and cash equivalents at end of period	**49,496**	**33,440**	**49,496**	**33,440**

Supplementary schedule of non-cash financing activities:

No new leasing obligations for new laboratory and office equipment were incurred during the first nine months of 2006, just as in last year's reporting period.

IFRS
Totals may vary due to rounding

Selected Details on the Notes

A) Accounting principles

As a capital market oriented parent company as defined by article 4 of EU Regulation no. 1606/2002, MediGene AG applies the International Financial Reporting Standards in their entirety.

These unaudited consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IAS 34 "Interim Financial Reporting"). It is the Executive Board's conviction that the quarterly financial statements on hand reflect all business transactions required for the portrayal of the assets, financial and income situation at the end of the periods that expired on September 30, 2005, and 2006.

The quarterly financial statements on hand should be read in connection with the annual financial statements for 2005 and 2004. The same accounting policies and methods as compared to the annual financial statements 2005 have been applied for the interim financial statements on hand.

B) Consolidation methods, consolidated entity

The MediGene Group consists of MediGene AG, its wholly owned subsidiary, MediGene, Inc., based in San Diego, California, USA, and the UK-based company Avidex Ltd. (Abingdon, Oxfordshire, UK), which was acquired in its entirety in September 2006. The purpose of the group is research on and the development and commercialization of, in particular, technologies applied in molecular biology, processes, and products in the field of drugs, pharmaceutical substances and related intermediate products, as well as the rendering of the services associated with this field of activities. MediGene has been a publicly quoted company since June 2000 (German Stock Exchange: Regulated Market; Prime Standard; ISIN 502090; code MDG).

Apart from that, MediGene held no other shares in affiliated companies, associated companies or joint ventures as at June 30, 2006. The financial statements of the companies consolidated have been prepared in accordance with standardized accounting and valuation principles. All intercompany revenues, expenses, and income as well as receivables, payables, and accruals of the companies consolidated were eliminated during consolidation.

In last year's reporting period, the two wholly owned subsidiaries MediGene Oncology GmbH, Planegg / Martinsried, and LARNAX GmbH, Planegg / Martinsried, were included in the consolidated statements. Both companies were incorporated by the parent company in August 2005.

C) Fundamental accounting and valuation prinicples

Realization of income

Income from upfront, milestone and non-recurring license payments

Under the terms of cooperation agreements, MediGene receives milestone payments for achieving specified research and development objectives. For these payments deferral is not necessary, and therefore they are immediately recognized affecting income unless further payments have been agreed upon. Public grants are posted to other operating income when the expenses are reported.

D) Notes on the consolidated income statements

Realization of a 5 million US dollars milestone payment received under the terms of a cooperation with Bradley Pharmaceuticals, Inc.

At the beginning of January 2006, MediGene and the US company Bradley Pharmaceuticals, Inc. entered into an agreement for the commercialization and development of the Polyphenon® E Ointment in the USA. Under the terms of the agreement, MediGene received a milestone payment of 5 million US dollars which had become due upon acceptance of the New Drug Application by the US regulatory authority FDA. In September 2005, MediGene had submitted the New Drug Application for the ointment for the treatment of genital warts in the USA.

Consolidation of the newly acquired company Avidex Ltd.

On September 27, 2006, MediGene closed the acquisition of Avidex Ltd. For this reason the effect from operating activities on the consolidated income was not significant for the third quarter of 2006.

E) Notes on earnings per share

Undiluted earnings per share

The undiluted earnings per share are calculated as follows:

		Q3 2006	Q3 2005	Change	9M 2006	9M 2005	Change
Net profit/losses including discontinued operations	**T€**	**-5,444**	**-4,847**	**-12 %**	**-9,983**	**-11.172**	**11 %**
Weighted average number of shares for the undiluted earnings per share		20,620,452	18,563,356	11 %	20,145,177	18,548,248	9 %
Undiluted earnings per share	**€**	**-0.26**	**-0.26**	**-1 %**	**-0.50**	**-0.60**	**18 %**

F) Notes on the balance sheet

Share capital

Compared to December 31, 2005, share capital increased by 1,854 T€ from 18,766 T€ to 20,620 T€ as at September 30, 2006. At the beginning of March, MediGene issued a total of 1.8 million new shares at a price of 8.45 € each to institutional investors, under exclusion of stock subscription rights for existing shareholders. End of September 2006, MediGene acquired all shares outstanding of the biotech company Avidex Ltd., based in Abingdon, Oxfordhire, UK, in exchange for a total of 8,157,787 new MediGene shares. The noncash capital increase had not yet been entered on the Commercial Register at the end of the third quarter of 2006. Thus the new shares were not issued at that date. Lock-up agreements for a period of 12 months were closed with the MediGene shareholders for 5,420,512 new shares.

The share capital is divided into 20,620,452 no-par-value common stock, 100 % of which were outstanding.

Successive capital increase against cash contribution planned

In order to secure the future financing of the acquired company Avidex Ltd., MediGene has agreed upon a so-called step-up financing with the investment bank Société Générale. Pursuant to this agreement, MediGene has the option of successively increasing the company's capital stock by up to 2 million € within a period of 18 months under utilization of the approved capital and exclusion of the existing shareholders' stock subscription right, with Société

Générale being obliged under certain circumstances to subscribe for shares at a price close to the current market price. MediGene AG is not obliged to issue new shares. Issue and date of issue are determined by MediGene alone. Société Générale will act as a financial intermediary and subscribe for and place a number of shares corresponding to the respective capital increase.

G) Notes on the cash flow statement

Cash and cash equivalent of the MediGene group increased by approximately 11.9 million € in the first nine months of the financial year 2006. This increase results mainly from the capital increase successfully closed at the beginning of March, and from the cash contribution received within the scope of the Avidex Ltd. acquisition.

H) Business combinations

At the end of August 2006, MediGene AG signed an agreement on the acquisition of the privately held biotech company Avidex Ltd. (Abingdon, Oxfordshire, UK). On September 27, 2006, MediGene acquired 100% of the Avidex shares outstanding, as well as the corresponding voting rights. The transaction takes place in two steps. In the first step, the Avidex shareholders will receive a total of 8,030,618 new MediGene shares in exchange for all Avidex shares outstanding. For this purpose the MediGene AG Executive Board has, with the Supervisory Board's consent, decided upon a capital stock increase by 8,030,618 € to 28,651,070 € under utilization of the approved capital, by transfer of the Avidex shares and exclusion of the shareholders' stock subscription right. The noncash capital increase had not yet been entered on the Commercial Register at the end of the third quarter of 2006. In a second step, the remaining options on Avidex shares will be exercised. The Avidex shares resulting from this will be exchanged for up to 127,169 additional MediGene shares, as stipulated in the agreement. The total number of new MediGene shares issued to the Avidex shareholders for the acquisition will be 8,157,787.

The acquired company's development portfolio comprises drug candidates for the treatment of cancer and autoimmune diseases, as well as another platform technology for the development of new drugs. The company's lead product RhuDex®, an orally available CD80 inhibitor is about to soon enter into an explorative phase IIa clinical trial for the treatment of rheumatoid arthritis. Several other drug candidates are currently in research and preclinical development stages. The innovative monoclonal T cell receptor (mTCR) technology platform will provide a basis for additional new drugs. Avidex has already concluded a partnership with Syngenta AG. Avidex Ltd. will remain at its premises in Oxford in its entirety, and will be operated as a subsidiary of MediGene AG. Avidex' previous CEO, James Noble, will join MediGene's supervisory board. Avidex' CBO, Dr. Neill Moray MacKenzie, and Dr. Bent Jakobsen, CSO, will continue in their areas of responsibility at the UK-ased subsidiary. Avidex' headcount at the date of acquisition was 43 employees.

Consolidation of Avidex Ltd. is dealt with according to IFRS 3 *"Business Combinations"*. The acquisition cost totaled 50,110,700 €. This cost is allocated to the shares' current market value (48,473 T€, i.e. 8,157,787 new common stock with an underlying current market value of 5.96 € each), and the cost arising in connection with the acquisition (1,638 T€). The market value of the shares corresponds to the XETRA closing price (German Stock Exchange, Frankfurt) of the MediGene share on the date of change of control, i.e. September 27, 2006, and, pursuant to IFRS 3.27, represents the best possible indication for the fair value of the shares issued. The fair value of the shares issued may still change according to IFRS 3.33.

Acquisition cost in T€		
Shares issued at underlying current market value		48,473
Number of shares issued	*8,157,787*	
Underlyding current market value per share (€)	*5.96*	
Direct cost arising for the acquisition of Avidex Ltd.		1,638
Total acquisition cost		**50,111**

Cash flow from acquisition in T€	
Net cash acquired by Avidex Ltd.	7,879
Direct cost arising for the acquisition*)	-1,638
Total cash flow	**6,241**

*) Not including the expenses for issuance of new shares.

The purchase price pursuant to IFRS 3 portrayed below requires a multitude of assumptions by the management, and is therefore to be considered to be tentative. These assumptions relate to the valuation of the intangible assets acquired, among other things, and to the way Avidex' contracts with third parties is accounted for in the balance sheet.

Underlying current market values of the assets acquired, in T€	Reported at acquisition	Book value according toIFRS
Cash	7,879	7,879
Tangible assets	385	385
Current research and development projects	40,574	0
Intangible assets and other assets	460	460
Total assets acquired	**49,298**	**8,724**
Financial obligations due	-1,356	-1,356
Deferred taxes	-12,172	0
Identified but not reported liabilities at underlying current market value	0	0
Total liabilities	**-13,528**	**-1,356**
Underlying current market value of net assets	**35,770**	**7,368**
Goodwill from company acquisition	14,341	0
Total acquisition cost	**50,111**	**7,368**

Goodwill from company acquisition is based on synergies with MediGene's existing preclinical and clinical development as well as regulatory affairs divisions. Additional indications for Rhudex® as well as potential new fields of application for mTCR products and platform technology that have not yet been considered also contribute to goodwill.

I) Segment reporting

Primary reporting - business units

The group is organized in two major business units: "Specialty Pharma" and "Biopharma". The "Specialty Pharma" segment comprises the drug Eligard® and the product candidate Polyphenon® E Ointment; the "Biopharma" segment includes MediGene's EndoTAG® as well as the oncolytic herpes simplex virus technologies, and the product candidates EndoTAG®-1, NV1020, and G207 deriving from these technologies.

Primary Reporting - Business Units				
In T€	Specialty pharma	Biopharma	Unallocated	**Total**
Q3-2006				
Total revenues	3,587	125	31	**3,743**
Cost of sales	2,843	0	0	**2,843**
Gross profit	**744**	**125**	**31**	**900**
Selling expenses	257	0	171	**428**
General and administrative expenses	0	0	1,212	**1,212**
R&D expenses	612	4,404	0	**5,016**
Operational result (EBIT)	**-125**	**-4,279**	**-1,352**	**-5,756**
Finance result			312	**312**
Net result from continued operations	**-125**	**-4,279**	**-1,040**	**-5,444**
Result from discontinued operations				**0**
Net result	**-125**	**-4,279**	**-1,040**	**-5,444**
Segment assets	4,134	70,343	53,227	**127,704**
Segment liabilities	667	99	69,760	**70,526**
Depreciation	1	204	37	**242**
Average number of employees	14	71	27	**112**
Investments	0	37	42	**79**
Q3-2005				
Total revenues	3,651	30	12	**3,693**
Cost of sales	2,774	0	0	**2,774**
Gross profit	**877**	**30**	**12**	**919**
Selling expenses	161	0	141	**303**
General and administrative expenses	0	0	1,391	**1,391**
R&D expenses	1,283	2,959	0	**4,242**
Operational result (EBIT)	**-567**	**-2,929**	**-1,520**	**-5,016**
Finance result			170	**170**
Net result from continued operations	**-567**	**-2,929**	**-1,350**	**-4,846**
Result from discontinued operations			5	**5**
Net result	**-567**	**-2,929**	**-1,345**	**-4,841**
Segment assets	1,737	15,339	50,507	**67,783**
Segment liabilities	667	250	4,522	**5,439**
Depreciation	6	277	48	**331**
Average number of employees	21	58	30	**109**
Investments	0	28	17	**45**

1) Investments also include finance lease investments.

Primary Reporting - Business Units In T€	Specialty pharma	Biopharma	Unallocated	Total
9M-2006				
Total revenues	12,954	366	36	**13,356**
Cost of sales	6,430	0	0	**6,430**
Gross profit	**6,524**	**366**	**36**	**6,926**
Selling expenses	365	0	605	**970**
General and administrative expenses	0	0	3,618	**3,618**
R&D expenses	2,252	10,998	0	**13,250**
Operational result (EBIT)	**3,907**	**-10,632**	**-4,187**	**-10,912**
Finance result			929	**929**
Net result from continued operations	**3,907**	**-10,632**	**-3,258**	**-9,983**
Result from discontinued operations				**0**
Net result	**3,907**	**-10,632**	**-3,258**	**-9,983**
Segment assets	4,134	70,343	53,227	**127,704**
Segment liabilities	667	99	69,760	**70,526**
Depreciation	5	637	116	**758**
Average number of employees	14	71	27	**112**
Investments	0	72	204	**276**
9M-2005				
Total revenues	8,581	30	24	**8,635**
Cost of sales	4,050	0	0	**4,050**
Gross profit	**4,531**	**30**	**24**	**4,585**
Selling expenses	223	0	542	**765**
General and administrative expenses	0	0	3,976	**3,976**
R&D expenses	3,635	8,164	0	**11,799**
Operational result (EBIT)	**673**	**-8,134**	**-4,494**	**-11,955**
Finance result			780	**780**
Net result from continued operations	**673**	**-8,134**	**-3,714**	**-11,175**
Result from discontinued operations			3	**3**
Net result	**673**	**-8,134**	**-3,711**	**-11,172**
Segment assets	1,737	15,539	50,507	**67,783**
Segment liabilities	667	250	4,522	**5,439**
Depreciation	23	858	150	**1.031**
Average number of employees	21	58	30	**109**
Investments	0	240	161	**401**

Specialty pharma products and product candidates:

- Eligard® for the treatment of hormone-dependent advanced prostate cancer
- Polyphenon® E for the treatment of genital warts and actinic keratosis

Biopharma product candidates and technologies

- EndoTAG®-1 for the treatment of solid tumors (since August 2004)
- NV1020 for the treatment of liver metastatses
- G207 for the treatment of brain tumors

- EndoTAG® technology
- HSV technology

J) Other notes

Contingencies and other financial obligations

As at September 30, 2006, a rent deposit guarantee of 273 T€, as well as a bank guarantee of 27 T€ existed vis-à-vis the respective lessors. Any contingencies for the benefit of board members were not assumed.

K) Board of Directos and Supervisory Board

„Directors' Holdings" and notes on treasury stock and warrants

Members	Shares 9M-2006	Shares Y-2005	Options 9M-2006	Options Y-2005	CB*) 9M-2006	CB*) Y-2005
Prof. Dr. Ernst-Ludwig Winnacker Supervisory Board Chairman, Co-founder	267,676	292,676	38,700	38,700	3,200	3,200
Prof. Dr. Norbert Riedel Deputy Chairman of the Supervisory Board	3,300	3,300	5,590	5,590	0	0
Dr. Pol Bamelis Supervisory Board Member	1,000	1,000	0	0	1,200	1,200
Sebastian Freitag Supervisory Board Member	0	0	0	0	0	0
Dr. Manfred Scholz Supervisory Board Member	100,000	86,500	0	0	0	0
Michael Tarnow Supervisory Board Member	6,337	6,337	0	0	36,200	36,200
Total Supervisory Board	**378,813**	**389,813**	**44,290**	**44,290**	**40,600**	**40,600**
Dr. Peter Heinrich Chief Executive Officer, Co-founder	503,505	503,505	116,636	96,636	0	0
Dr. Ulrich Delvos Chief Operating Officer	2,000	1,000	25,000	5,000	0	0
Alexander Dexne Chief Financial Officer	0	0	100,000	80,000	0	0
Total Executive Board	**505,505**	**504,505**	**241,636**	**181,636**	**0**	**0**
Treasury Stock	**0**	**0**	**0**	**0**	**0**	**0**

*) Convertible Bonds

(Status as at September 30, 2006, and December 31, 2005)

Financial Calendar / Imprint

2006

November 8
9-Months Report 2006
Press and analysts conference call

November 14
Analyst conference,
Frankfurt/Main

2007

March 28
Annual Report 2006
Press and analysts conference

May 4
3-Months Report 2007
Press and analysts conference call

May 25
Annual shareholders' meeting 2007
Munich

August 3
6-Months Report 2007
Press and analysts conference call

November 9
9-Months Report 2007
Press and analysts conference call

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