MediGene

6-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
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.

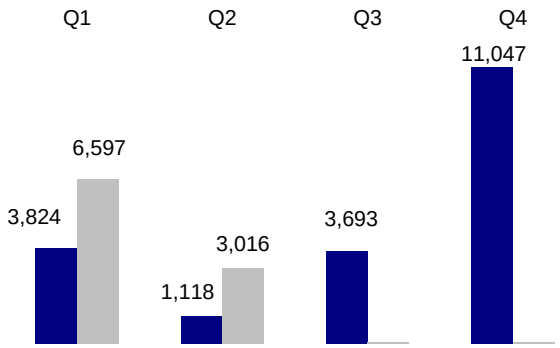
[2] Marketing partnership with Astellas (previously Yamanouchi)
[3] Marketing partnership with Bradley Pharmaceuticals, Inc.
[4] Precursor of a specific type of skin cancer

MediGene's Key Figures 6-Months Report 2006

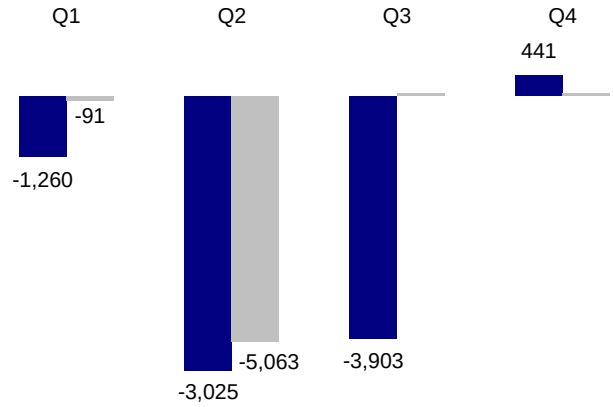
In T€	Q2 2006	Q2 2005	Change	6M 2006	6M 2005	Change
Income statements						
Revenues	2,816	1,116	152 %	9,362	4,878	92 %
Other operating income	200	2	>200 %	251	64	>200 %
Gross profit	654	214	>200 %	6,026	3,666	64 %
Cost of goods sold	2,362	904	161 %	3,587	1,276	181 %
Selling, general, and administrative expenses	1,464	1,642	-11 %	2,947	3,048	-3 %
Research and development expenses	4,253	4,252	0 %	8,234	7,558	9 %
Operating result (EBIT)	-5,063	-5,680	11 %	-5,155	-6,940	26 %
Result before income tax	-4,675	-5,383	13 %	-4,538	-6,330	28 %
Net result	-4,675	-5,378	13 %	-4,538	-6,326	28 %
Result per share (undiluted)	-0,23	-0,29	22 %	-0,23	-0,34	33 %
Weighted average number of shares	20,620,452	18,548,483	11 %	19,903,603	18,545,276	7 %
Personnel expenses	2,424	2,345	3 %	4,854	4,829	1 %
Cash flow						
Cash flow from operating activities	-6,316	-3,231	-95 %	-6,949	-7,015	1 %
Cash flow from investing activities	-135	-226	40 %	-198	-350	43 %
Cash flow from financing activities	-134	302	-56 %	15,183	504	>200 %
Balance sheet data as at June 30, 2006						
Cash and cash equivalents	45,682	44,737	2 %			
Balance sheet total	67,783	68,274	-1 %			
Current liabilities	5,110	5,944	-14 %			
Long-term liabilities	330	1,856	-82 %			
Shareholders' equity	62,343	60,474	3 %			
Equity ratio	92 %	89 %	3 %			
Employees as at June 30, 2006	121	113	7 %			
MediGene share as at June 30, 2006						
Number of shares issued	20,620,452	18,535,514	11 %			
Share price (Closing price, XETRA)	5,75	11,25	-49 %			
Dividend in €	0	0	-			

MediGene's Performance 2006 / 2005

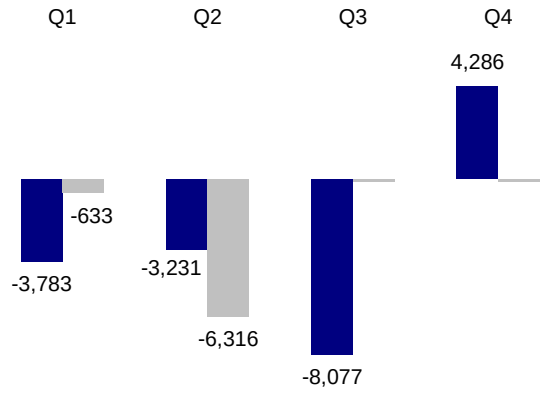
Total Revenues
in T€



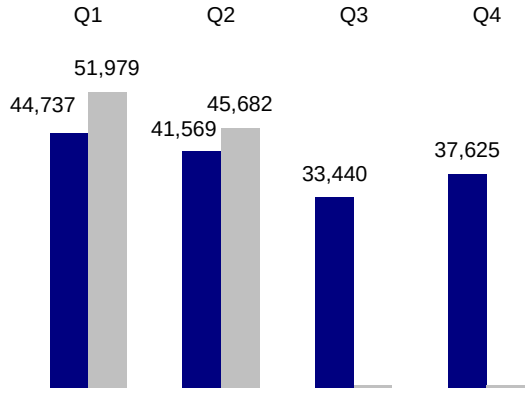
Operating Result (EBIT)
in T€



Cash Flow from Operating Activities
in T€



Cash and Cash Equivalents
in T€



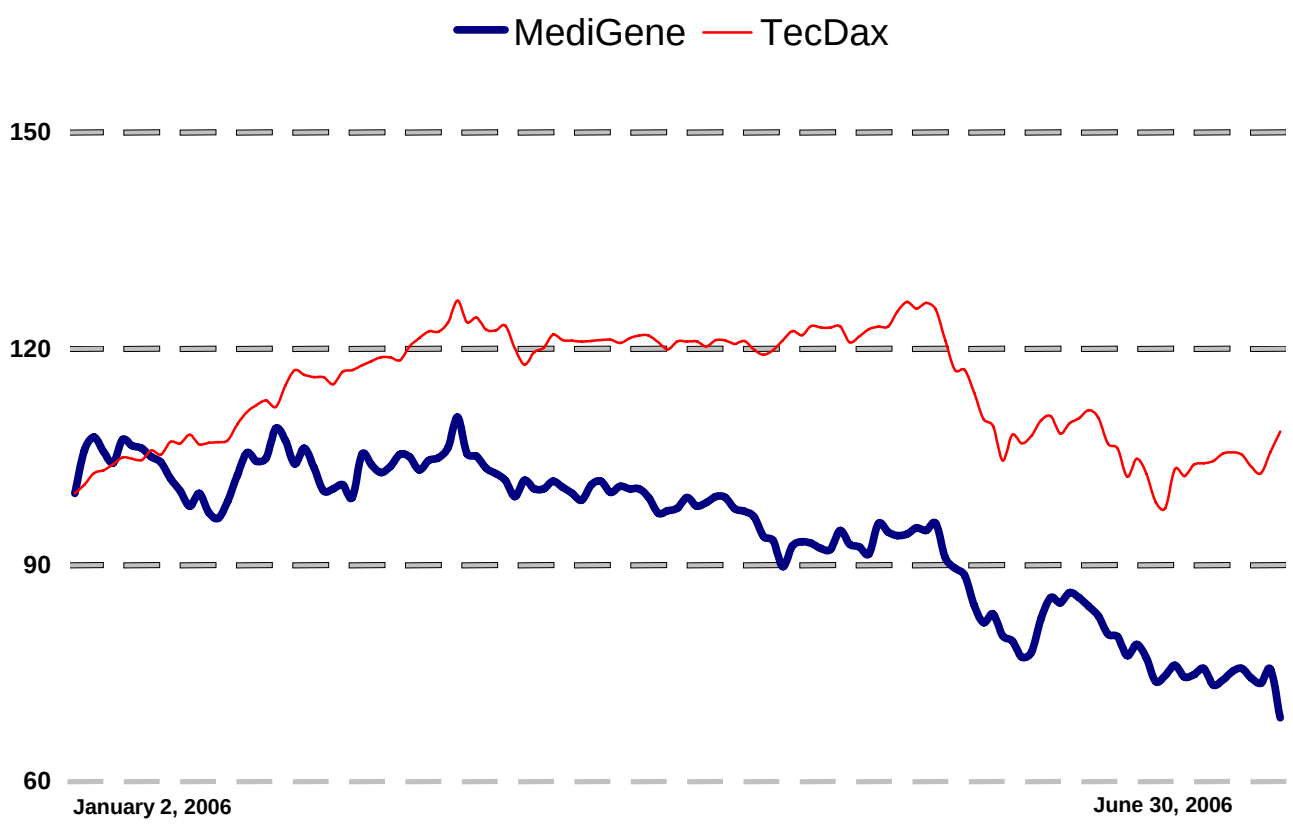
2005 2006

Contents

Our Share

The MediGene Share Price

(January 2, 2006 8.35 € indexed to 100)



Key Figures for the MediGene Share

€	6M-2006	6M-2005
6-Months high	9.23	11.66
6-Months low	5.75	8.70
Price at beginning of the year	8.35	8.70
Closing price	5.75	11.25
Average price since beginning of the year	7.89	10.33
Weighted average number of shares	19,903,603	18,548,483
Average market capitalization (million €)	157	192
Average daily trading volume in shares	149,542	121,779
Total number of shares outstanding (June 30, 2006)	20,620,452	18,561,452
Cash flow from operating activities / share *	-0.34	-0.38
Shareholders' equity / share *	3.02	2.79
Free Float	100 %	84 %

* Reference: Total shares outstanding

Interim MD&A Q2-2006 / 6M-2006

MEDIGENE'S FINANCIAL HIGHLIGHTS IN THE FIRST SIX MONTHS OF 2006

- Significant increase in total revenues to 9.6 million € (6M-2005: 4.9 million €)
- Net loss declines from to -4.5 million € (6M-2005: -6.3 million €)
- Average monthly net cash burn rate from operating activities unchanged at -1.1 million €
- Cash and cash equivalents at closing date 45.7 million € (December 31, 2005: 37.6 million €)

MAJOR EVENTS SINCE THE BEGINNING OF THE YEAR

- 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
- Eligard® market launch in France and other European countries
- Capital increase successfully closed: gross proceeds of 15.6 million €
- FDA extends deadline for the review of the NDA for Polyphenon® E Ointment to October 31, 2006 (PDUFA Date)

KEY ADVANCES IN PRODUCT PORTFOLIO

- Patient enrollment for the phase II trial in the indication pancreatic cancer according to schedule
- Preparation of an additional phase II trial of EndoTAG-1 in the indication triple-receptor-negative breast cancer
- Public grants for the EndoTAG research projects totalling 1.8 million €
- Presentation of positive data received in the clinical phase I/II trial of cancer-killing virus NV1020

PRELIMINARY NOTES

MediGene develops anti-cancer and anti-tumor drugs

MediGene's core competence is research into and development of novel approaches for the treatment of various cancer and tumor diseases. Thus MediGene focuses on indications of high medical need and great economic opportunities. In addition to the drug Eligard®, which is already available on the market, further potential resources of revenues are payments from cooperation agreements for the joint development and marketing of products, payments from R&D and technology contracts, and the marketing of products by MediGene itself.

In the second quarter and the first six months of 2006, MediGene achieved significant growth of revenues and a reduction of net loss at the same time

Compared to last year's reporting periods, MediGene's revenues increased by 170 % to 3.0 million € in the second quarter of 2006 (Q2-2005: 1.1 million €), and by 95 % to 9.6 million € in the first six months of 2006 (H1-2005: 4.9 million €). At the same time MediGene reduced the net loss by 13 % to -4.7 million € in the second quarter of 2006 (Q2-2005: -5.4 million €), and by 28 % to -4.5 million € in the first six months of 2006 (H1-2005: -6.3 million €).

MediGene and Bradley Pharmaceuticals, Inc. (USA) enter 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 new 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.

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) informed MediGene that the deadline for the completion of its review of the NDA for MediGene's Polyphenon® E Ointment for the treatment of genital warts was extended to October 31, 2006 (PDUFA date). According to the FDA, the reason for this 90 days deadline extension is the fact that the documents submitted by MediGene at the request of the FDA are still being reviewed. On the PDUFA date, the FDA will notify MediGene whether the drug under review will be approved for marketing, or whether or not it may be approved after fulfillment of additional conditions imposed. Due to the modified time schedule, MediGene now expects approval and market launch of the Polyphenon® E Ointment not earlier than in 2007. The NDA for US approval of the Polyphenon® E Ointment was submitted in the third quarter of 2005. MediGene owns the worldwide marketing rights for the drug and is planning to submit marketing authorization applications in several European countries this year. In January 2006, MediGene closed a marketing partnership with Bradley Pharmaceuticals, Inc., for the commercialization of the Polyphenon® E Ointment in the USA. In a number of clinical trials in a total of more than 1,000 patients, MediGene had achieved positive results in the treatment of 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 Taxol 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 Gemcitabine®, a cytostatic drug already approved for the treatment of pancreatic carcinoma. Approximately 200 patients will be enrolled. A first interim analysis is planned for the end of 2006.

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 EndoTAG platform. So far MediGene has been developing a drug for the treatment of various types of cancer, based on the EndoTAG technology. 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 undergoing a clinical trial. At the end of May 2006, MediGene published positive safety data obtained in this trial. These data were presented during the DDW (Digestive Disease Week) Conference in Los Angeles. After thorough analysis of the data obtained by utilization of the imaging techniques applied, independent experts and investigators will decide about the continuation of the trial. The final data are expected to be available in 2007.

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. 18), and the consolidated financial statements 2005.

Total Revenues

Total revenues increased by 170 % to 3,016 T€ in the second quarter of 2006, (Q2-2005: 1,118 T€), and by 95 % to 9,613 T€ in the first six months of 2006 (6M-2005: 4,942 T€). The revenues in the second quarter 2006 have been generated solely from European sales of Eligard®. In the course of the market launch of the drug in France, MediGene also received milestone payments in the first quarter 2006. The revenues in the first six 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 with the US specialty pharmaceuticals company Bradley Pharmaceuticals, Inc. Other operating income mainly consists of public grants.

Consolidated Income Statement (abbreviated)

in T€	Q2-2006 unaudited	Q2-2005 unaudited	Change	6M-2006 unaudited	6M-2005 unaudited	Change
Total revenues	**3,016**	**1,118**	**170 %**	**9,613**	**4,942**	**95 %**
Cost of sales	2,362	904	161 %	,587	1,276	181 %
Gross profit	**654**	**214**	**>200 %**	**6,026**	**3,666**	**64 %**
Selling, general, and administrative expenses	1,464	1,642	-11 %	2,947	3,048	-3 %
Research and development expenses	4,253	4,252	0 %	8,234	7,558	9 %
Operating result (EBIT)	**-5,063**	**-5,680**	**11 %**	**-5,155**	**-6,940**	**26 %**
Result before income tax (EBT)	**-4,675**	**-5,383**	**13 %**	**-4,538**	**-6,330**	**28 %**
Net profit/loss for the period	**-4,675**	**-5,378**	**13 %**	**-4,538**	**-6,326**	**28 %**

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 2,362 T€ in the second quarter of 2006 (Q2-2005: 904 T€), and to 3,587 T€ in the first six months of 2006 (6M-2005: 1,276 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 second quarter, gross profit tripled to 654 T€ (Q2-2005: 214 T€). Comparing this year's with last year's six-months reporting periods, gross profit improved by 64 % to 6,026 T€ (6M-2005: 3,666 T€). Milestone payments received in the first quarters of each reporting period had a significant impact on the six 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 11 % to 1,464 T€ (Q2- 2005: 1,642 T€), and by 3 % to 2,947 T€ (6M-2005: 3,048 T€).

R&D Expenses

In the second quarter of 2006 R&D expenses remained unchanged at 4,253 T€. Comparing the six-months reporting periods, R&D expenses increased by 9 % to 8,234 T€ (6M-2005: 7,558 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.

Depreciation

All in all, depreciation decreased in the second quarter by 28 % to 247 T€ (Q2-2005: 342 T€) and by 26 % in the first half of 2006 to 516 T€ (6M-2006: 698 T€). Depreciation is reported in the income statement under general, administrative, and selling expenses (6M-2006: 42 T€), and under R&D expenses (6M-2006: 474 T€).

Depreciation

in T€	Q2-2006 unaudited	Q2-2005 unaudited	Change	6M-2006 unaudited	6M-2005 unaudited	Change
Fixed assets	71	167	-57 %	175	354	-51 %
Intangible assets	149	126	18 %	287	251	14 %
Capital lease	27	49	-45 %	54	93	-42 %
Total	**247**	**342**	**-28 %**	**516**	**698**	**-26 %**

EBIT

The loss before interest and tax decreased by 11 % to -5,063 T€ in the second quarter of 2006 (Q2-2005: -5,680 T€), and by 26 % to –5,155 T€ in the first six months of 2006 (6M-2005: -6,940 T€).

Financial Result

As a result of a higher amount of interest-bearing cash, the financial result increased by 31 % to 388 T€ in the second quarter of 2006 (Q2-2005: 297 T€). In the first six months 2005, 40 % of the financial result were allocated to foreign currency exchange gains, compared to 11 % in the reporting period 2006.

Financial Result

in T€	Q2-2006 unaudited	Q2-2005 unaudited	Change	6M-2006 unaudited	6M-2005 unaudited	Change
Interest income	324	219	48 %	560	445	26 %
Interest expenses	4	38	-89 %	9	76	-88 %
Sub-total	**320**	**181**	**77 %**	**551**	**369**	**49 %**
Foreign currency gains/losses	68	116	-41 %	66	241	-73 %
Total	**388**	**297**	**31 %**	**617**	**610**	**1 %**

6-Months Result

In the first six months of 2006, MediGene reduced the net loss by 28 % to -4,538 T€ (6M-2005: -6.326 T€). On a quarterly basis, the loss was reduced by 13 % to -4,675 T€ (Q2-2005: -5.378 T€). This improvement results from an increase in total revenues generated by MediGene's present core products, Eligard®, and the Polyphenon® E Ointment.

Result per Share

In the first six months 2006, the loss per share decreased by 33 % to -0.23 € (weighted average number of shares: 19,903,603). In last year's reporting period, a loss per share of -0.34 € was reported (weighted average number of shares: 18,545,276). On a quarterly basis, the loss decreased by 22 % to -0.23 € (weighted average number of shares: 20,620,452) from previously -0.29 € (weighted average number of shares: 18,548,483).

ASSETS POSITION

Cash Position 45.7 Million €; Equity Ratio 92 %

Compared to the closing date December 31, 2005, the cash position increased by 21 % to 45,682 T€. By means of a capital increase successfully closed in the first quarter 2006, MediGene received a cash amount of 15.6 million € (gross). Compared to last year's reporting period, the equity ratio of 92 % remained almost unchanged.

Development of the assets and capital structure

in T€	June 30, 2006	December 31, 2005	Change
Assets			
Long-term investments	1,400	1,355	3 %
Goodwill	9,226	9,226	0 %
Fixed and intangibles assets	7,360	7,680	-4 %
Cash and cash equivalents	45,682	37,625	21 %
Other current assets	4,115	1,176	>200 %
Total	**67,783**	**57,062**	**19 %**
Liabilities and shareholders' equity			
Shareholders' equity	62,343	51,777	20 %
Long-term liabilities	330	312	6 %
Current liabilities	5,110	4,973	3 %
Total	**67,783**	**57,062**	**19 %**
Liquidity cover ratio	**67 %**	**66 %**	
Equity ratio	**92 %**	**91 %**	

Financial Position

Cash flow from operating activities

Cash flow from operating activities amounted to -6,316 T€ in the second quarter of 2006 (Q2-2005: -3,231 T€), and -6,949 T€ in the first six months (6M-2005: -7,015 T€).

Average monthly cash burn rate from operating activities

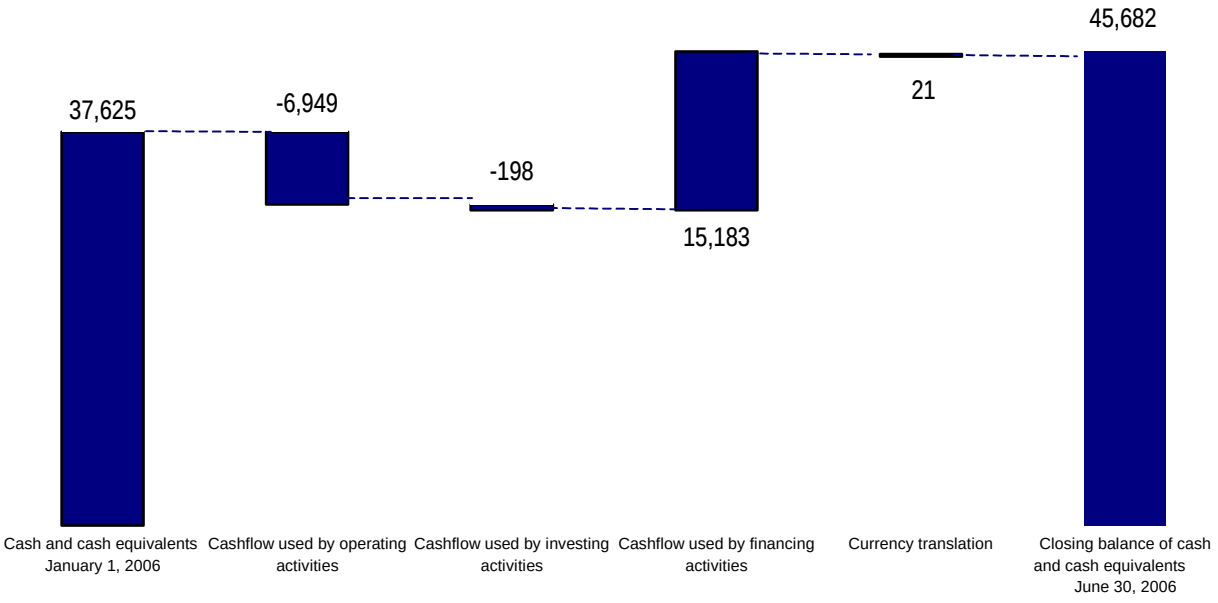
According to the consolidated cash flow statements, the average monthly net cash burn rate from operating activities in the second quarter was -2.1 million € (Q2-2005: -1.1 million €). During the first six months the average monthly cash burn rate from operating activities remained unchanged at -1,2 million € (6M-2005: -1,2 million €).

Cash position increased by successfully closed capital increase

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 at closing date June 30, 2006, cash and cash equivalents totalled 45,682 T€. MediGene uses cash available for the development of the company's drug candidates.

Development of cash and cash equivalents (in T€)



Human Resources

Corporate headcount slightly increased during the first six 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.

Headcount as at closing dates June 30, and December 31

	6M-2006	6M-2005	Y-2005
MediGene AG	115	106	107
MediGene, Inc.	6	7	7
Total	**121**	**113**	**114**

Personnel expenses			
in T€	6M-2006	6M-2005	Change
Total	4,854	4,829	1 %

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 of the board of appeal is expected in 2007 or 2008.

Major Events since End of Period under Review

MediGene closed a new license agreement with the German Cancer Research Center for the development of a monoclonal antibody

In July 2006, MediGene closed 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).

Apart from that, no major changes to the state of business have occurred up to July 28, 2006.

Forecast

Forecast for the year 2006 adjusted: revenues ranging between 20-25 million €, net loss 10-15 million €

Due to the extended review period for the NDA of the Polyphenon® E Ointment and to the management's recent decision to commit additional financial resources to the EndoTAG program, MediGene adjusts corporate planning and the forecast 2006. The company expects to generate revenues of 20-25 million € and a net loss of 10-15 million € in 2006 (original forecast: revenues 30 million €, loss 0 €).

At the end of June 2006, the US regulatory authority FDA extended the deadline for the completion of its review of the NDA for MediGene's Polyphenon® E Ointment for the treatment of genital warts to October 31, 2006 (previously July 28, 2006). Consequently, MediGene now expects the approval of the Polyphenon® E Ointment in 2007 instead of 2006. Upon approval of the Polyphenon® E Ointment, MediGene will be entitled to receive a milestone payment from its US marketing partner Bradley Pharmaceuticals that was included in the company's original revenues forecast for 2006. Up to now, MediGene expects the US market launch of Polyphenon® E Ointment in 2007.

According to the revenues and results forecast for 2006, the expected year-end cash position is 35-40 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 now marketed by MediGene's partner Astellas Pharma. Market launch in Europe is to be finalized in 2006. For the year 2006, MediGene expects to receive more milestone payments from Astellas Pharma. In addition MediGene expects further increases in sales revenues resulting from the commercialization of the drug in the additional countries.

Polyphenon® E Ointment – approval expected for 2007

On October 31, 2006, MediGene expects to receive a first notification of the US regulatory authority FDA on the New Drug Application submitted for the Polyphenon® E Ointment, provided that the review of the application proceeds according to plan. MediGene expects US approval and market launch of the ointment for the treatment of genital warts in 2007. For the commercialization of the Polyphenon® E Ointment in the USA, MediGene entered into a partnership with the US company Bradley Pharmaceuticals, Inc., effective from January 30, 2006.

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

MediGene is planning to submit a marketing authorization application in several European countries during 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 Gemcitabine®, 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 on plan. A first interim analysis of the trial results is planned for the end of the financial year 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.

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

EndoTAG-1 – extension of the pre-clinical 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.

Headcount to increase during the financial year 2006

Corporate headcount at the end of the year 2006 is expected to be 130.

Consolidated Balance Sheet
of MediGene AG as of June 30, 2006, and December 31, 2005

in T€	June 30, 2006 unaudited	December 31, 2005 audited
Assets		
A. Non-current assets		
I. Property, plant & equipment	1,047	1,137
II. Intangible assets	6,313	6,543
III. Goodwill	9,226	9,226
IV. Investments	1,303	1,258
V. Other assets	97	97
Total non-current assets	**17,986**	**18,261**
B. Current assets		
I. Inventories	434	0
II. Accounts receivable	1,986	2
III. Cash and cash equivalents	45,682	37,625
IV. Other current assets	1,695	1,174
Total current assets	**49,797**	**38,801**
Total assets	**67,783**	**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		
June 30, 2006: 20,620,452		
II. Additional paid-in capital	271,962	258,776
III. Accumulated deficit	-230,248	-225,710
IV. Other reserves	9	-55
Total shareholders' equity	**62,343**	**51,777**
B. Non-current liabilities		
I. Financial liabilities	117	115
II. Pension accrual	97	97
III. Other non-current liabilities	116	100
Total non-current liabilities	**330**	**312**
C. Current liabilities		
I. Financial liabilities	32	118
II. Deferred income	667	667
III. Trade accounts payable	1,166	845
IV. Other current liabilities	3,245	3,343
Total current liabilities	**5,110**	**4,973**
Total liabilities and shareholders' equity	**67,783**	**57,062**

IRFS
Totals may vary due to rounding

Consolidated Income Statements

of MediGene AG for the periods from April 1 to June 30 and January 1 to June 30, 2006, and 2005

in T€	Q2-2006 unaudited	Q2-2005 unaudited	6M-2006 unaudited	6M-2005 unaudited
1. Product sales	2,816	1,116	9,362	4,878
2. Other operating income	200	2	251	64
3. Total revenues	**3,016**	**1,118**	**9,613**	**4,942**
4. Cost of sales	2,362	904	3,587	1,276
5. Gross profit	**654**	**214**	**6,026**	**3,666**
6. Selling expenses	204	234	542	463
7. General and administrative expenses	1,260	1,408	2,405	2,585
8. Research and development expenses	4,253	4,252	8,234	7,558
9. Operating result (EBIT)	**-5,063**	**-5,680**	**-5,155**	**-6,940**
10. Interest income	324	219	560	445
11. Interest expenses	4	38	-9	-76
12. Foreign currency exchange gains/losses	68	116	66	241
13. Result before income tax (EBT)	**-4,675**	**-5,383**	**-4,538**	**-6,330**
14. Tax	0	0	0	0
15. Net profit/loss from continued operations	**-4,675**	**-5,383**	**-4,538**	**-6,330**
16. Result from discontinued operations	0	5	0	4
17. Net profit/loss for the period	**-4,675**	**-5,378**	**-4,538**	**-6,326**
Per share data in €:				
Undiluted	**-0.23**	**-0.29**	**-0.23**	**-0.34**
Weighted average number of shares outstanding	20,620,452	18,548,483	19,903,603	18,545,276

IRFS
Totals may vary due to rounding

Consolidated Changes in Shareholders' Equity
of MediGene AG for the periods from January 1 to June 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				-4,538		-4,538
Unrealized loss from QLT Inc. shares					45	45
Currency translation adjustments					19	19
Comprehensive income						**-4,474**
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			173			173
Balance June 30, 2006 unaudited	**20,620,452**	**20,620**	**271,962**	**230,248**	**9**	**62,343**
Balance January 1, 2005 audited	**18,522,684**	**18,523**	**256,882**	**-213,664**	**-28**	**61,713**
Net loss for the period				-6,325		-6,325
Unrealized loss from QLT Inc. shares					-739	-739
Currency translation adjustments					-21	-21
Comprehensive income						**-7,085**
Capital increase						0
Capital increase expenses						0
Exercised options/bonds	38,768	38	206			244
Expenses on new options/bonds			225			225
Balance June 30, 2005 unaudited	**18,561,452**	**18,561**	**257,313**	**-219,989**	**-788**	**55,097**

IFRS
Totals may vary due to rounding

Consolidated Cash Flow Statements

of MediGene AG for the periods from April 1 to June 30, and January 1 to June 30, 2006, and 2005

in T€	Q2-2006 unaudited	Q2-2005 unaudited	6M-2006 unaudited	6M-2005 unaudited
Cash flow from operating activities				
Net profit/loss	-4,675	-5,378	-4,538	-6,325
Adjustments to reconcile net loss with cash used in operating activities:				
Expenses for new options/bonds	81	140	173	225
Depreciation	247	342	516	698
Gains/losses on sales of property, plant & equipment	0	-4	0	-7
Interest income	-324	-219	-560	-445
Interest expenses	4	38	9	76
Changes in:				
Inventories	788	-26	-434	-458
Other assets and accrued income	-1,910	1,952	-2,505	2,616
Trade accounts payable	-873	1,433	321	945
Other liabilities and deferred income	346	-1,509	69	-4,340
Net cash used by operating activities	**-6,316**	**-3,231**	**-6,949**	**-7,015**
Cash flow from investing activities				
Purchases of property, plant & equipment	-135	-230	-198	-356
Sales of property, plant & equipment	0	4	0	6
Net cash from investing activities	**-135**	**-226**	**-198**	**-350**
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	4	168	16	245
Proceeds from/repayments of convertible bonds	-148	23	-150	36
Interest income	324	219	560	445
Interest expenses	-4	-38	-9	-76
Principal payments under finance lease obligations	-42	-70	-86	-146
Net cash from financing activities	**134**	**302**	**15,183**	**504**
Currency translation	20	-13	21	-30
Decrease/increase in cash and cash equivalents	**-6,297**	**-3,168**	**8,057**	**-6,891**
Cash and cash equivalents at beginning of period	51,979	44,737	37,625	48,460
Cash and cash equivalents at end of period	**45,682**	**41,569**	**45,682**	**41,569**

Supplementary schedule of non-cash financing activities:

No new leasing obligations for new laboratory and office equipment were incurred during the first six 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 adjustments required for the portrayal of the assets, financial and income situation at the end of the periods that expired on June 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, and its wholly owned subsidiary, MediGene, Inc., based in San Diego, California, USA. The purpose of the group is research on, development and commercialization of particularly 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.

E) Notes on earnings per share

Undiluted earnings per share

The undiluted earnings per share are calculated as follows:

		Q2 2006	Q2 2005	Change	6M 2006	6M 2005	Change
Net profit/losses including discontinued operations	**T€**	**-4,675**	**-5,378**	**13 %**	**-4,538**	**-6,326**	**28 %**
Weighted average number of shares for the undiluted earnings per share		20,620,452	18,548,483	11 %	19,903,603	18,545,276	7 %
Undiluted earnings per share	**€**	**-0.23**	**-0.29**	**22 %**	**-0.23**	**-0.34**	**33 %**

F) Notes on the balance sheet

Share capital

As at June 30, 2006, share capital rose from 18,766 T€ by 1,854 T€ to 20,620 T€. 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.

The share capital is divided into 20,620,452 no-par-value common stock, 100 % of which were outstanding. As at closing date, no shareholder held more than 5 % of the share capital.

G) Changes in consolidated shareholders' equity

Capital increase successfully closed: gross proceeds of 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. As a consequence, the company's capital stock has increased from 18,768,192 € to 20,620,452 €.

H) Notes on the cash flow statement

The cash position has increased by 8.1 million €. This increase mainly results from the capital increase successfully closed at the beginning of March.

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**
Q2-2006				
Total revenues	2,816	198	2	**3,016**
Cost of sales	2,362	0	0	**2,362**
Gross profit	**454**	**198**	**2**	**654**
Selling expenses	38	0	166	**204**
General and administrative expenses	0	0	1,260	**1,260**
R&D expenses	896	3,357	0	**4,253**
Operational result (EBIT)	**-480**	**-3,159**	**-1,424**	**-5,063**
Finance result			388	**388**
Net result from continued operations	**-480**	**-3,159**	**-1,036**	**-4,675**
Result from discontinued operations				
Net result	**-480**	**-3,159**	**-1,036**	**-4,675**
Segment assets	1,303	15,539	50,941	**67,783**
Segment liabilities	667	99	4,674	**5,440**
Depreciation	1	212	34	**247**
Average number of employees	14	68	27	**109**
Investments	2	8	125	**135**
Q2-2005				
Total revenues	1,116	0	2	**1,118**
Cost of sales	904	0	0	**904**
Gross profit	**212**	**0**	**2**	**214**
Selling expenses	60	0	174	**234**
General and administrative expenses	0	0	1,408	**1,408**
R&D expenses	1,436	2,816	0	**4,252**
Operational result (EBIT)	**-1,284**	**-2,816**	**-1,580**	**-5,680**
Finance result			297	**297**
Net result from continued operations	**-1,284**	**-2,816**	**-1,283**	**-5,383**
Result from discontinued operations			5	**5**
Net result	**-1,284**	**-2,816**	**-1,278**	**-5,378**
Segment assets	2,022	16,010	44,742	**62,774**
Segment liabilities	667	250	6,760	**7,677**
Depreciation	8	288	47	**342**
Average number of employees	21	59	30	**110**
Investments	0	103	127	**230**

1) Investments also include finance lease investments.

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

Primary Reporting – Business Units				
In T€	Specialty pharma	Biopharma	Unallocated	**Total**
6M-2006				
Total revenues	9,367	241	5	**9,613**
Cost of sales	3,587	0	0	**3,587**
Gross profit	**5,780**	**241**	**5**	**6,026**
Selling expenses	108	0	434	**542**
General and administrative expenses	0	0	2,405	**2,405**
R&D expenses	1,640	6,594	0	**8,234**
Operational result (EBIT)	**4,032**	**-6,353**	**-2,834**	**-5,155**
Finance result			617	**617**
Net result from continued operations	**4,032**	**-6,353**	**-2,217**	**-4,538**
Result from discontinued operations				
Net result	**4,032**	**-6,353**	**-2,217**	**-4,538**
Segment assets	1,303	15,539	50,941	**67,783**
Segment liabilities	667	99	4,674	**5,440**
Depreciation	4	433	79	**516**
Average number of employees	14	68	27	**109**
Investments	2	34	162	**198**
6M-2005				
Total revenues	4,930	0	12	**4,942**
Cost of sales	1,276	0	0	**1,276**
Gross profit	**3,654**	**0**	**12**	**3,666**
Selling expenses	62	0	401	**463**
General and administrative expenses	0	0	2,585	**2,585**
R&D expenses	2,352	5,206	0	**7,558**
Operational result (EBIT)	**1,240**	**-5,206**	**-2,974**	**-6,940**
Finance result			610	**610**
Net result from continued operations	**1,240**	**-5,206**	**-2,364**	**-6,330**
Result from discontinued operations			4	**4**
Net result	**1,240**	**-5,206**	**-2,360**	**-6,326**
Segment assets	2,022	16,010	44,742	**62,774**
Segment liabilities	667	250	6,760	**7,677**
Depreciation	17	581	101	**698**
Average number of employees	21	59	30	**110**
Investments	0	212	144	**356**

J) Other notes

Contingencies and other financial obligations

As at June 30, 2006, a rent deposit guarantee of 233 T€, as well as a bank guarantee existed vis-à-vis the respective lessors. Any contingencies for the benefit of board members were not assumed.

K) Board of Directors and Supervisory Board

„Directors Holdings“ and notes on treasury stock and warrants

Members	Shares 6M-2006	Shares Y-2005	Options 6M-2006	Options Y-2005	CB*) 6M-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 June 30, 2006, and December 31, 2005)

L) Corporate Governance

MediGene's annual shareholders' meeting took place in Munich on June 2, 2006. The shareholders' meeting gave its majority consent to all requests by the administration listed on the agenda.

Finanzkalender / Impressum

2006

August 3
6-Months Report 2006
Press and analysts conference call

November 8
9-Monatsbericht 2006
Press and analysts conference call

2007

March 28
Annual Report 2006
Press and analysts conference

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