MediGene

Innovation × Investment = Growth

3-Months Report 2007

MediGene's Innovative Drug Pipeline

Products	Diseases	Clinical Phases	Approval	Marketed	Peak Sales Potential (million €)
		I II III			
Eligard ®	Prostate Cancer				> 100[1,2)]
Polyphenon® E Ointment	Genital Warts				> 150[1,3)]
	Actinic Keratosis[4)]				> 200[1,3)]
Oracea ™	Rosacea				> 20
EndoTAG™-1	Pancreatic Cancer				> 200[1)]
	Breast Cancer				> 1,000[1)]
	Other Solid Tumors				> 400[1)]
Rhudex®	Rheumatoid Arthritis				> 1,500[1)]
HSV (NV1020)	Colon Liver Metastases				> 150[1)]
HSV (G207)	Brain Tumors (Glioblastoma)				> 70[1)]
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 other biotech or pharmaceuticals companies.

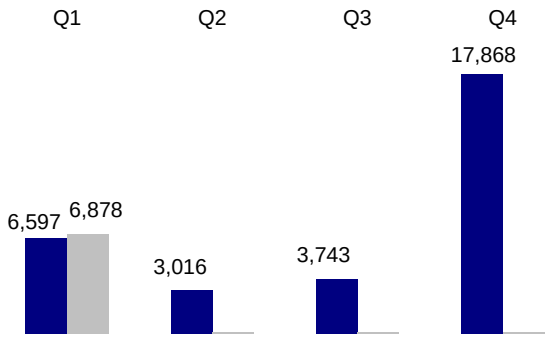
[2)] Marketing partnership with Astellas Pharma Europe Ltd.
[3)] Marketing partnership with Bradley Pharmaceuticals, Inc.
[4)] Precursor of a specific type of skin cancer

MediGene's Key Figures 3-Months Report 2007

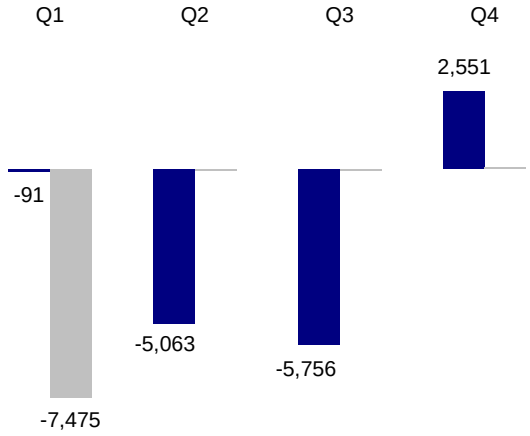
In T€	Q1 2007	Q1 2006	Change
Income statements			
Revenues	6,305	6,546	-4 %
Other operating income	573	51	>200 %
Gross profit	1,288	5,372	-76 %
Cost of goods sold	-5,590	-1,225	>200 %
Selling, general, and administrative expenses	-2,301	-1,483	55 %
Research and development expenses	-6,462	-3,980	62 %
Operating result (EBIT)	-7,475	-91	>-200 %
Result before income tax	-7,184	137	>-200 %
Net result	-6,634	137	>-200 %
Result per share (undiluted)	-0.23	0.01	>-200 %
Weighted average number of shares	28,918,440	19,178,795	51 %
Personnel expenses	3,963	2,511	58 %
Cash flow			
Cash flow from operating activities	-11.239	-614	>-200 %
Cash flow from investing activities	-191	-63	>-200 %
Cash flow from financing activities	12,282	15,030	-18 %
Balance sheet data as at March 31, 2007			
Cash and cash equivalents	53,258	51,979	2 %
Balance sheet total	124,656	73,256	70 %
Current liabilities	10,099	5,837	73 %
Long-term liabilities	688	319	116 %
Shareholders' equity	113,869	67,100	70 %
Equity ratio	91 %	92 %	-1 %
Employees as at March 31, 2007	168	110	53 %
MediGene share as at March 31, 2007			
Number of shares issued	30,843,183	20,620,452	50 %
Share price (Closing price, XETRA)	5.93	8.30	29 %
Dividend in €	0	0	-

MediGene's Performance 2007 / 2006

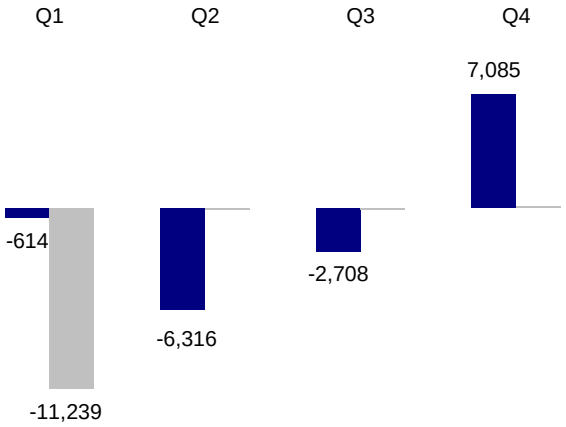
Total Revenues
in T€



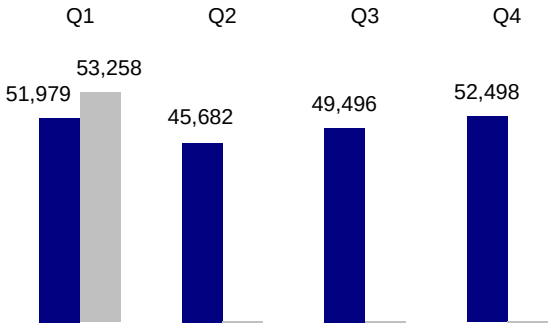
Operating Result (EBIT)
in T€



Cash Flow from Operating Activities
in T€



Cash and Cash Equivalents
in T€



2006 2007

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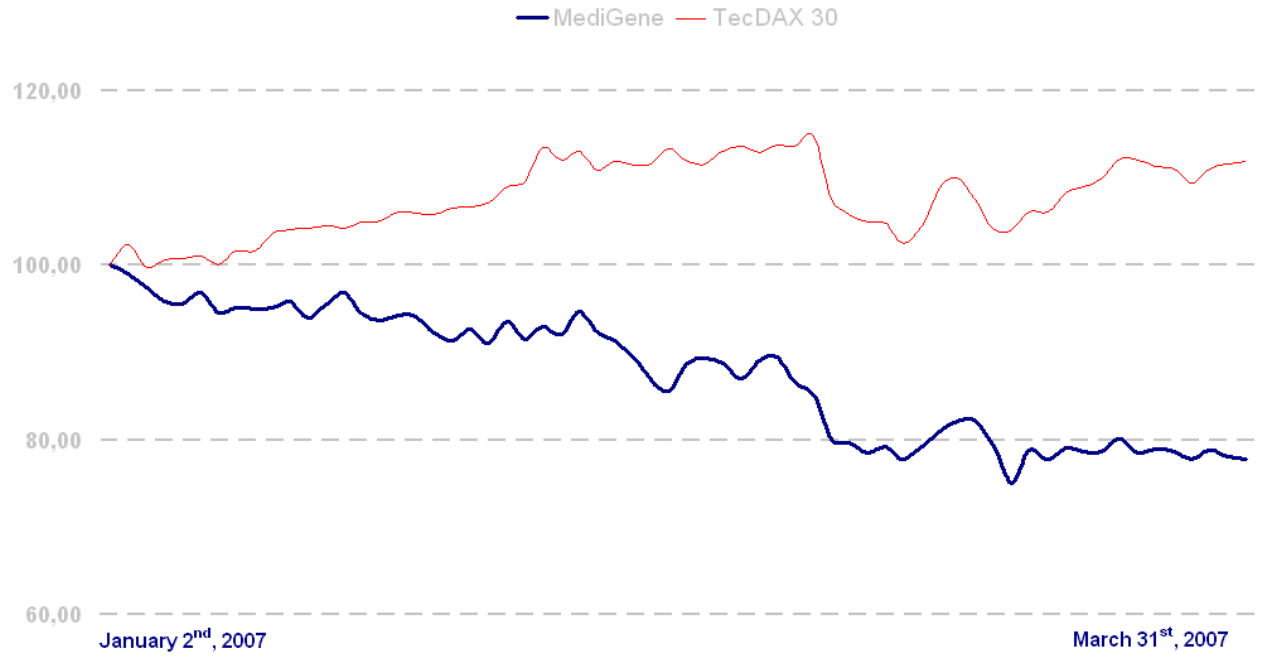
Our Share

The MediGene Share Price

(January 2, 2007 8.35 € indexed to 100)



Key Figures for the MediGene Share

€	3M-2007	3M-2006
3-Months high	7.36	9.23
3-Months low	5.93	8.06
Price at beginning of the year	7.36	8.35
Closing price	5.93	8.30
Average price since beginning of the year	6.47	8.57
Weighted average number of shares	28,918,440	19,178,795
Average market capitalization (million €)	187	164
Average daily trading volume in shares	156,972	186,046
Total number of shares outstanding (March 31, 2007)	30,843,183	20,620,452
Cash flow from operating activities / share *	-0.36	-0.02
Shareholders' equity / share *	3.68	3.25
Free float	91 %	100 %

* Reference: Total shares outstanding

Group Management's Discussion and Analysis Q1 2007

FINANCIAL DEVELOPMENT IN THE FIRST THREE MONTHS

- Increase in total revenues to 6.9 million € compared to 6.6 million € (Q1 2006)
- Net loss increased to -6.6 million € compared to net profit of 0.1 million € (Q1 2006)
- Average monthly net cash burn rate from operating activities increased to -3.7 million € compared to -0.1 million € (Q1 2006)
- Cash and cash equivalents at closing date 53.3 million € (December 31, 2006: 52.5 million €)

MAJOR EVENTS SINCE THE BEGINNING OF THE YEAR

- Six-months dosage of Eligard® launched in Germany
- Marketing authorization application for the Polyphenon® E Ointment for the treatment of genital warts submitted to the regulatory authorities in Germany, Austria, and Spain
- Establishment of a sales and marketing organization started

KEY PRODUCT PORTFOLIO ADVANCES

- Initiation of a further phase II trial of EndoTAG®-1 in the indication triple receptor-negative breast cancer
- Initiation of a clinical phase IIa trial of RhuDex® for the treatment of rheumatoid arthritis
- Conclusion of a collaboration agreement with the Juvenile Diabetes Research Foundation (USA) for the development of a therapy for type I diabetes on the basis of mTCR

PRELIMINARY NOTES

MediGene develops drugs to combat cancer and autoimmune diseases

MediGene AG, Martinsried (hereinafter referred to as MediGene AG) is a biopharmaceuticals company which focuses on the research, development, and commercialization of innovative drugs, concentrating on indications of great medical necessity and substantial commercial interest. R&D activities center upon cancer and autoimmune diseases, while the group's sales and marketing measures focus on dermatology.

Development state of product portfolio

MediGene's first drug on the market, the cancer medication Eligard®, is marketed by the partner company Astellas Pharma Europe Ltd., Staines, UK and is now available in most European countries. Early in March 2007, MediGene announced the launch of the six-months dosage of Eligard® on the German market. This dosage is currently undergoing the approval process in several European countries. Eligard® is the only prostate cancer drug in Europe that is available as a six-months dosage. MediGene receives royalties on the sales of the drug in all countries. European market launch is scheduled to be completed by the end of this year.

A second drug, Polyphenon® E Ointment, was approved for marketing by the US regulatory authority (FDA) on October 31, 2006, under the name of Veregen™, and is slated for launch on the US market by MediGene's marketing partner Bradley Pharmaceuticals, Inc., in the latter half of 2007. At the end of March 2007, MediGene submitted the marketing authorization application (MAA) for Polyphenon® E Ointment for the treatment of genital warts to the regulatory authorities in Germany, Austria, and Spain. The approval in these countries shall serve as a reference for the submission of MAAs in further European countries. 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.

Furthermore, MediGene secured the European marketing rights to Oracea™ from US specialty pharmaceuticals company CollaGenex, Inc. The application for marketing authorization for this drug has been submitted in ten European countries to date. MediGene expects the European market launch of Oracea™ to take place in the latter half of 2007. Just as MediGene's Polyphenon® E Ointment, Oracea™ is prescribed mainly by dermatologists, allowing for joint distribution of the two products. MediGene will initially focus on a small number of high-potential European markets and seek distribution partnerships for the other European countries.

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 inside 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. In December 2006, MediGene reported positive interim results of the ongoing trial. The findings showed a sound safety profile and preliminary indications of the effectiveness of EndoTAG®-1 in combination with the cancer drug Gemzar®. In the majority of patients treated with EndoTAG®-1, the seven-week treatment was able to slow down, stabilize, or ameliorate the course of the disease. The most efficacious dosage branch in the interim findings shows a 67% response rate, as compared to 50% in the control group. The efficiency analysis is based on 47 patients whose treatment cycle was concluded at the time of evaluation. As the number of cases is still small, the figures of the preliminary analysis are not yet statistically significant. MediGene expects final results of the trial in 2008.

In mid-April 2007, MediGene initiated a phase II trial of the drug candidate EndoTAG®-1 for the treatment of triple receptor-negative breast cancer. The objective of the trial is to investigate the efficacy of EndoTAG®-1 against this highly aggressive type of cancer, and to collect additional safety data. 135 patients are to be enrolled in this trial which will be conducted by more than 20 centers in different European countries. The final evaluation of the trial is expected for 2009.

In October 2006, the European Agency for the Evaluation of Medicinal Products (EMEA) recommended the granting of Orphan Drug Status for MediGene's drug candidate EndoTAG®-1 for the treatment of pancreatic cancer. This recommendation has been confirmed by the European Commission. Orphan Drug Status guarantees market exclusiveness within the European Union for a ten-year period following approval.

State funding totaling 1.8 million € will be available over the next two years for investigating the application of EndoTAG® technology in the treatment of diseases other than cancer.

RhuDex®, an active ingredient for the treatment of rheumatoid arthritis, is an orally administered CD80 inhibitor which blocks the activation of $CD4^+$ T cells. RhuDex® works as an immunosuppressant and has an anti-inflammatory effect. Rheumatoid arthritis is a chronic inflammatory disease which afflicts 1% of the world's population. RhuDex® has gone through all preclinical development stages. In addition, tolerability and safety were examined in an initial clinical trial with healthy test persons. A clinical phase IIa trial with a maximum of up to 35 patients participating was initiated at the beginning of 2007 and is to be concluded by the end of this year.

In mid-September 2006, MediGene presented interim analysis results of the phase I/II trial of the cancer-killing virus NV1020 for the treatment of liver metastases in patients suffering from colorectal cancer. The results showed clear indication of efficacy of the maximum dose administered. The Data Safety Monitoring Board (DSMB), an independent board which monitors patient safety, has recommended a clinical phase II trial at the maximum dosage level. 18 additional patients are to be included in this part of the trial. The study is progressing according to schedule.

In 2005, MediGene initiated a clinical phase I trial of the oncolytic herpes simplex virus G207 for the treatment of malignant brain tumors, conducted at the University of Alabama in Birmingham, USA. The trial examines safety, tolerability, and efficacy trends of G207, as well as a possible synergistic effect in conjunction with radiotherapy.

As a consequence of radical changes in the market for the target indications, MediGene has adjusted the estimated annual peak sales potentials for the projects NV1020 and G207. The estimates were reduced to more than 70 million € (G207; previous estimate: > 200 million €), and more than 150 million € (NV1020; previous estimate: > 300 million €).

At the preclinical and the research stage, MediGene is developing drug candidates based on its proprietary mTCR technology, as well as a therapeutic monoclonal antibody against the ovarian cancer protein L1.

Aditionally, MediGene is driving forward the development of its proprietary platform technologies for drug development, such as the EndoTAG® technology as well as soluble monoclonal T-cell receptors (mTCRs).

ASSETS POSITION

Cash Position 53.3 Million €; Equity Ratio 91 %

Development of the assets and capital structure

in T€	March 31, 2007 unaudited	December 31, 2006	Change
Assets			
Long-term investments	1,473	1,598	-8 %
Goodwill	12,994	13,041	0 %
Fixed and intangibles assets	51,561	52,236	-1 %
Cash and cash equivalents	53,258	52,498	1 %
Other current assets	5,370	4,763	13 %
Total	**124,656**	**124,136**	**0 %**
Liabilities and shareholders' equity			
Shareholders' equity	113,869	108,512	5 %
Long-term liabilities	688	1,266	-46 %
Current liabilities	10,099	14,358	-30 %
Total	**124,656**	**124,136**	**0 %**
Liquidity cover ratio	**43 %**	**42 %**	
Equity ratio	**91 %**	**87 %**	

Compared to the closing date December 31, 2006, the cash position of 53,258 T€ remained nearly unchanged. Cash flow from operating activities amounted to -11,239 T€ in the reporting period. Gross proceeds from a capital increase against cash contribution totaled 12,578 T€.

FINANCIAL POSITION

Cash flow from operating activities

Cash flow from operating activities increased to -11,239 T€ in the first quarter of 2007 (Q1 2006: -614 T€). This includes a one-time license payment of 3,793 T€ for the drug candidate Oracea™ to the licensor CollaGenex Pharmaceuticals Inc. MediGene acquired the European marketing rights to Oracea™ from CollaGenex Pharmaceuticals Inc. in December 2006. The one-time payment was accrued as at December 31 under other current liabilities. In return a technology license in the amount of the net acquisition cost was reported. At the same time research and development expenses increased by 62% to 6.5 million €. In the reporting period of the preceding year, MediGene had received a one-time payment of 4.1 million € upon conclusion of a marketing agreement for the Polyphenon E® Ointment.

Average monthly cash burn rate from operating activities

The average monthly net cash burn rate from operating activities in the first quarter of 2007 was 3.7 million € (Q1 2006: 0.1 million €).

Cash flow from investing activities

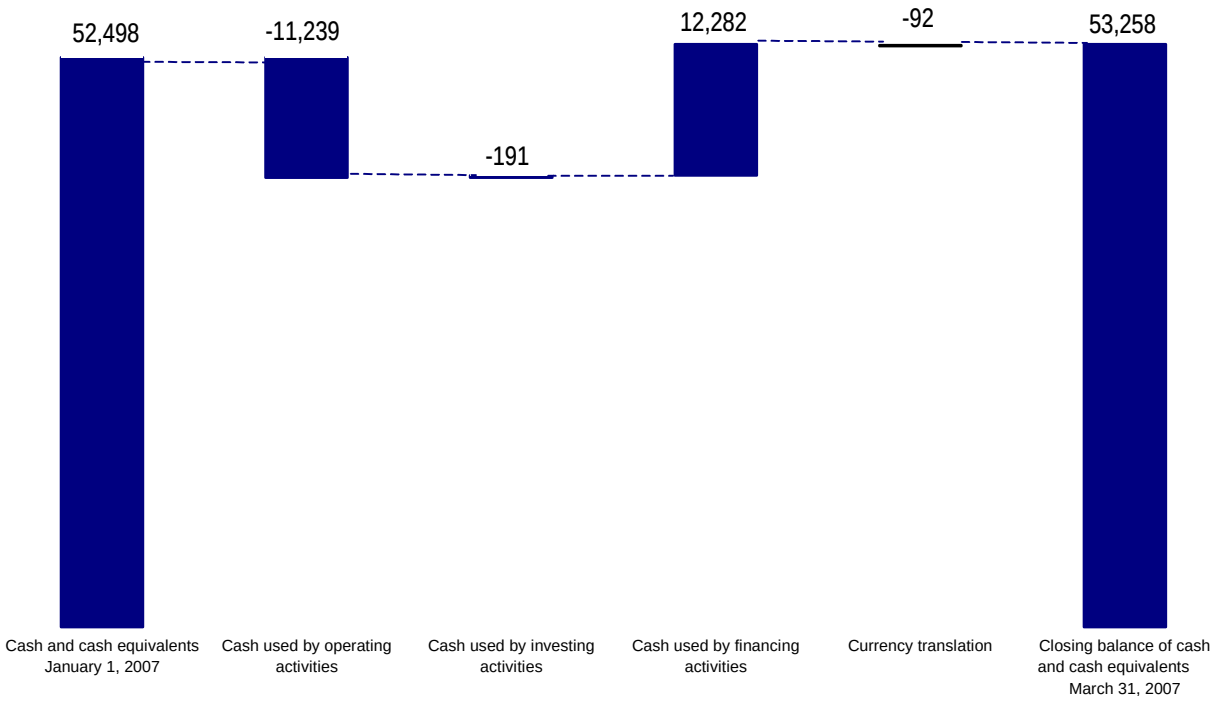
During the first quarter of 2007 the cash flow from investing activities amounted to -191 T€ (Q1 2006: -63 T€).

Cash and cash equivalents increased by conclusion of a capital increase

In February 2007, MediGene successfully concluded a capital increase against cash. The capital increase was carried out through an accelerated bookbuilding process, with the Sole Lead Manager DZ BANK subscribing to 2,062,040 new MediGene shares, offered to institutional investors in Germany and other European countries at the issue price. The offering was significantly oversubscribed. By issue of the new shares at an issue price of 6.10 € each, MediGene's liquid funds increased by a gross amount of approx. 12.6 million €.

Development of Cash and Cash Equivalents

(in T€)



As at March 31, 2007, cash and cash equivalents totaled 53,258 T€. MediGene uses cash available for the establishment of its sales force in the field of dermatology, and for the development of the company's drug candidates.

EARNINGS POSITION

Total Revenues

Total revenues increased by 4% to 6,878 T€ in the first quarter of 2007, (Q1 2006: 6,597 T€). First quarter 2007 revenues have been generated solely from the commercialization of Eligard® in Europe, and include product sales, royalties, as well as a milestone payment for the launch of the six-months product of Eligard®.
Revenues of last year's reporting period also include a 4.1 million € milestone payment made by the US specialty pharmaceuticals company Bradley Pharmaceuticals Inc. under the terms of the marketing partnership for Polyphenon E®.

Consolidated Income Statement (abbreviated)

in T€	Q1 2007 unaudited	Q1 2006 unaudited	Change
Total revenues	**6,878**	**6,597**	**4 %**
Cost of sales	-5,590	-1,225	>200 %
Gross profit	**1,288**	**5,372**	**-76 %**
Selling, general, and administrative expenses	-2,301	-1,483	55 %
Research and development expenses	-6,462	-3,980	62 %
Operating result (EBIT)	**-7,475**	**-91**	**>-200%**
Result before income tax (EBT)	**-7,184**	**137**	**>-200%**
Net profit / loss for the period	**-6,634**	**137**	**>-200%**

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 -5,590 T€ in the first quarter of 2007 (Q1 2006: -1,225 T€). The cost is allocated to the purchase of the drug, to royalties paid to QLT, Inc., and a milestone payment made by MediGene to QLT Inc. in the course of market launch.

Gross Profit

In the first quarter 2007, gross profit decreased by 76 % to 1,288 T€ (Q1 2006: 5,372 T€). The gross profit amount is determined by milestone payments, and the ratio of revenues from products sales to license payments. In last year's reporting period, a 4,131 T€ one-time milestone payment received in the course of the marketing partnership concluded with Bradley Pharmaceuticals Inc. had a positive impact on gross profit.

General, Administrative, and Selling Expenses

Compared to last year's reporting period, general, administrative, and selling expenses increased by 55% to -2,301 T€ (Q1 2006: -1,483 T€). This increase is a consequence of the consolidation of the UK-based company Avidex Ltd. acquired in September 2006.

R&D Expenses

In the first quarter 2007, R&D expenses increased by 62 % to -6,462 T€ (Q1 2006: -3,980 T€). The main part of this increase is allocated to the extension of the clinical and pre-clinical EndoTAG® programs development, and to the consolidation of Avidex Ltd.

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 triple hormone-receptor-negative breast cancer was initiated in April 2007. Moreover MediGene expands pre-clinical research and development activities regarding 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 to be enrolled.

Depreciation

All in all, depreciation increased by 35% to 362 T€ in the first quarter of 2007 (Q1 2006: 269 T€). Depreciation increased particularly in R&D, due to the acquisition of Avidex. Depreciation is reported in the income statement under general, administrative, and selling expenses (92 T€), and under R&D expenses (270 T€).

Depreciation

in T€	Q1 2007 unaudited	Q1 2006 unaudited	Change
Fixed assets	191	124	54 %
Intangible assets	171	118	45 %
Capital lease	0	27	-
Total	**362**	**269**	**35 %**

EBIT

The loss before interest and tax increased by to -7,475 T€ in the first quarter of 2007 (Q1 2006: -91 T€).

Financial Result

As a result of a higher amount of interest-bearing cash, the financial result increased by 28 % to 291 T€ in the reporting periods (Q1 2006: 228 T€). Foreign currency gains and losses result from fluctuations of the exchange rate between the Euro and the US dollar.

Financial Result

in T€	Q1 2007 unaudited	Q1 2006 unaudited	Change
Interest income	413	236	75 %
Interest expenses	3	5	-40 %
Subtotal	**410**	**231**	**77 %**
Losses from derivative financial instruments	-67	0	-
Foreign currency gains/losses	-52	-3	-
Total	**291**	**228**	**28 %**

3-Months Result

In the first three months of 2007, the loss for the period was -6,634 T€ (Q1 2006: 137 T€). The decrease in result is due to a lower gross profit, and an increase in research and development expenses.

Result per Share

In the first three months 2007, the loss per share increased to -0.23 € (weighted average number of shares: 28,918,440). In last year's reporting period, a profit per share of 0.01 € was reported (weighted average number of shares: 19,178,795).

Human Resources

Corporate headcount increased by 53% to 168 during the first three months of 2007, compared with last year's reporting period. This increase is a consequence of the acquisition of Avidex Ltd. in the third quarter of 2006.

Headcount
as at March 31, and December 31

	Q1 2007	Q1 2006	Y 2006
MediGene AG	121	104	123
MediGene, Inc.	6	6	6
Avidex Ltd.*)	41	-	42
Gesamt	**168**	**110**	**171**

*) since September 27, 2006

Personnel expenses

in T€	Q1 2007	Q1 2006	Change
Total	**3,963**	**2,511**	**58 %**

SEGMENT INFORMATION

Segment information is provided on page 22 of the appendix.

RISK REPORT

The inherent risks the MediGene group is subject to are described in the risk report of the published Group Management's Discussion and Analysis (MD&A) 2006. Up to the closing date March 31, 2007, no changes to the state described therein have occurred.

Legal Disputes

Prior to the market launch of Eligard® in 2004, MediGene had already filed a suit before the German Federal Patents Court for the invalidity of a patent on specifically designed high-molecular, biodegradable polymers of its competitors Takeda Chemical Industries Ltd. and Wako Pure Chemical Industries Ltd. In the summer of 2004, after the market launch of Eligard®, Takeda Chemical Industries, Takeda Pharma GmbH and Wako Pure Chemical Industries (Takeda and Wako) sued the partners MediGene and Astellas Pharma GmbH for alleged patent infringement before Duesseldorf District Court. In their lawsuit, they argue that the commercialization of MediGene's and Astellas' drug Eligard® infringes the aforementioned patent of the plaintiffs.

On April 20, 2005, the Third Nullity Board at the German Federal Patents Court decided in a hearing that all of the claims from the aforementioned patent that Takeda and Wako were asserting against MediGene and Astella before Duesseldorf District Court were invalid within the Federal Republic of Germany. Takeda and Wako have appealed against this judgment before the Federal Court of Justice (BGH), whose verdict is expected for 2008. At the same

time, Duesseldorf District Court suspended the suit for patent infringement until the final ruling in the suit for invalidity. The patent in question expired in early May 2006.

In the further course of the matter, MediGene lodged an appeal against the granting of European patents EP 1 310 517 B1 and EP 1 330 293 B1 to Wako Pure Chemical Industries Ltd. and Takeda Pharmaceutical Company Ltd., and to Takeda Pharmaceutical Company Ltd. in April and May 2006, respectively. In addition, there was a parallel court case concerning patent infringement in the United States, in which MediGene's supplier and licensor QLT USA, Inc. (formerly Atrix Laboratories, Inc.), and the US marketing partner of QLT USA, Inc., Sanofi-Synthelabo, Inc., were sued on grounds of patent infringement by Takeda Abbott Pharmaceutical Product, Inc., Takeda Chemical Industries Ltd., and Wako Pure Chemical Industries Ltd. According to a press release published by QLT USA, Inc. on February 9, 2007, this legal dispute was settled out of court.

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 green tea. In June 2004, Indena S.p.A. thereupon limited 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 of the European Patent Office is expected in 2007 or 2008.

RISK MANAGEMENT SYSTEM

MediGene's management meets the risks occurring in the group by means of a comprehensive risk management system. For a detailed description of this system we refer to the Group Management's Discussion and Analysis 2006 published on March 28, 2007.

MAJOR EVENTS SINCE END OF PERIOD UNDER REVIEW

Start of Cooperation with the Research Foundation JDRF in the Field of mTCR Technology

On April 5, 2007, MediGene announced the initiation of a funded collaborative research program with the Juvenile Diabetes Research Foundation (JDRF) in New York, USA. Through its Industry Discovery and Development Partnership Program, JDRF is providing financial support for the development of an innovative therapy to treat type I diabetes. MediGene is utilizing the monoclonal T-cell receptor (mTCR) technology to prevent the destruction of insulin-producing beta cells. Type I diabetes is a disease caused by misrouted immune cells that destroy the beta cells. JDRF is collaborating with MediGene over two years to accelerate ongoing proof-of-concept studies into the clinic.

Initiation of a Clinical Phase II Trial of EndoTAG®-1 in the Treatment of Hormone Receptor-Negative Breast Cancer

In mid-April 2007, MediGene initiated a phase II trial of the drug candidate EndoTAG®-1 for the treatment of triple receptor-negative breast cancer. The objective of the trial is to investigate the efficacy of EndoTAG®-1 against this type of cancer, and to collect additional safety data. 135 patients are to be enrolled in this trial which will be conducted by more than 20 centers in different European countries. The final evaluation of the trial is expected for 2009.

Apart from that, no major changes to the state of business have occurred.

FORECAST

Financial Forecast 2007

For 2007, MediGene expects total revenues of approx. 35 million €. In contrast to the previous years, the revenues will be generated mainly by product sales arising from the commercialization of Eligard®, Polyphenon® E Ointment, and Oracea™. The forecast also includes income under the terms of new cooperation agreements to be concluded. Operational costs will increase noticeably in financial year 2007, due to the planned buildup of a sales organization, and the expansion of research and development activities both by the company headquarters in Martinsried, and by the subsidiary Avidex.

MediGene expects an EBIT-based loss of 35 million € in financial year 2007. This increase in loss compared to last year is the result of a noticeable decline of milestone payments from partners, and, consequently by a lower gross margin. At the same time, the establishment of the company's own sales and marketing activities, as well as the increase in R&D costs will cause a significant rise in operational costs.

The crucial factors for achieving the projected financial targets are an increase in Eligard® sales, the successful market launch of Polyphenon® E Ointment in the USA, the authorization and start of marketing of Oracea™, as well as the conclusion of new cooperation agreements.

According to the sales and results forecast, cash reserves are expected to be approximately 25 million €.

MediGene's management anticipates a significantly improved EBIT result for 2008, based on the assumption that product sales will rise again, and that there will be a project status-related decrease in research and development expenses.

Positive Impetus from Market Launch of the Six-Month Depot Formulation of Eligard®

The European market launch of the one- and three-month depot formulations of Eligard® was successfully completed in 2006. MediGene anticipates an increase in sales revenues from the marketing of Eligard® in the newly added countries, and the associated gains in market share. MediGene also expects the six-month depot formulation of Eligard® 45 mg to give an additional impetus to Eligard® sales. This product is slated to be launched in Europe in 2007 through partner Astellas Pharma Europe Ltd. MediGene's partner launched the six-month depot formulation in Germany in the first quarter 2007.

Polyphenon® E Ointment – Market Launch in the US Scheduled for Latter Half of 2007

In late October 2006, MediGene obtained market authorization for Polyphenon® E Ointment for the treatment of genital warts from the US regulatory authority FDA. The drug is scheduled for US market launch by MediGene's marketing partner Bradley Pharmaceuticals in the latter half of 2007. Therefore MediGene expects product sales of Polyphenon® E Ointment to start generating revenues in 2007. In late March 2007, MediGene submitted marketing authorization application in several European countries. Approval in these countries is expected in 2008.

Oracea™ – Market Authorization Expected for First Half of 2007, Launch Scheduled for Latter Half of 2007

In December 2006, MediGene acquired the European marketing rights to the dermatological product Oracea™ from the US company CollaGenex. The drug for the treatment of the skin disease rosacea is currently in an advanced stage of the authorization process in ten European countries, and is already available in the USA. MediGene expects market authorization to be granted in the first half of 2007. The market launch and initial revenues from the commercialization of Oracea™ are planned for the second half of 2007. Oracea™ was developed by the US company CollaGenex and launched on the US market this year with very promising initial sales.

MediGene's Own Sales Organization to be Established for the Commercialization of Oracea™ and Polyphenon® E Ointment

MediGene intends to distribute the Polyphenon® E Ointment and other dermatological products in some selected European countries by means of its own sales force. Just as MediGene's Polyphenon® E Ointment, Oracea™ is prescribed mainly by dermatologists, allowing for joint distribution of the two products. MediGene will initially focus on a small number of high-potential markets and seek distribution partnerships for the other European countries. MediGene plans to add additional products to its drug portfolio in the future. For the major European countries, MediGene intends to achieve annual sales of Oracea™ and Polyphenon® E in excess of 50 million €.

EndoTAG®-1 – Patient Recruitment in Ongoing Clinical Phase II Trial Concluded in First Half of 2007; Publication of Results in First Half of 2008

In December 2006, MediGene achieved positive interim results in the ongoing clinical phase II trial of the drug candidate EndoTAG®-1 for the treatment of pancreatic cancer. MediGene expects final results of the trial in early 2008. MediGene expects to conclude patient recruitment according to schedule in the spring of 2007.

RhuDex® – Results of a Clinical Phase IIa Pilot Trial

A clinical phase IIa trial in which a total of 35 patients with rheumatoid arthritis is to participate was initiated at the beginning of 2007, and is scheduled to be completed by the end of this year.

NV1020 – Conclusion of Recruitment for Clinical Phase I/II Trial Expected in 2007; Publication of Trial Results Scheduled for 2008

Patient recruitment for the phase II part of the ongoing clinical trial of the cancer-killing virus NV1020 for the treatment of liver metastases in patients suffering from colorectal carcinoma is proceeding according to schedule. Patient recruitment is to be concluded in 2007. The final results of the trial are expected in 2008.

Total Number of Employees to Increase in Financial Year 2007

Corporate headcount at the end of 2007 is expected to total 200.

Consolidated Income Statements

of MediGene AG for the periods from January 1 to March 31, 2007, and 2006

in T€	Q1 2007 unaudited	Q1 2006 unaudited
1. Product sales	6,305	6,546
2. Other operating income	573	51
3. Total revenues	**6,878**	**6,597**
4. Cost of sales	5,590	1,225
5. Gross profit	**1,288**	**5,372**
6. Selling expenses	-715	-338
7. General and administrative expenses	-1,586	-1,145
8. Research and development expenses	-6,462	-3,980
9. Operating result (EBIT)	**-7,475**	**-91**
10. Interest income	413	236
11. Interest expenses	-3	-5
12. Foreign currency exchange gains/losses	-119	-3
13. Result before income tax (EBT)	**-7,184**	**137**
14. Tax	550	0
15. Net profit/loss for the period	**-6,634**	**137**
Per share data in €:		
Undiluted	**-0.23**	**0.01**
Weighted average number of shares outstanding	28,918,440	19,178,795

Consolidated Balance Sheet

of MediGene AG as of March 31, 2007, and December 31, 2006

in T€	March 31, 2007 unaudited	December 31, 2006
Assets		
A. Non-current assets		
I. Property, plant & equipment	1,387	1,391
II. Intangible assets	50,174	50,845
III. Goodwill	12,994	13,041
IV. Investments	1,376	1,501
V. Other assets	97	97
Total non-current assets	**66,028**	**66,875**
B. Current assets		
I. Inventories	17	401
II. Accounts receivable	1,737	769
III. Cash and cash equivalents	53,258	52,498
IV. Other current assets	3,616	3,593
Total current assets	**58,628**	**57,261**
Total assets	**124,656**	**124,136**
Liabilities and shareholders' equity		
A. Shareholders' equity		
I. Share capital Number of shares issued and outstanding: December 31, 2006: 28,653,630 March 31, 2007: 30,843,183	30,843	28,654
II. Additional paid-in capital	322,095	311,627
III. Accumulated deficit	-239,235	-232,601
IV. Other reserves	166	832
Total shareholders' equity	**113,869**	**108,512**
B. Non-current liabilities		
I. Financial liabilities	99	98
II. Pension accrual	81	81
III. Other non-current liabilities	132	132
IV. Deferred taxes	376	955
Total non-current liabilities	**688**	**1,266**
C. Current liabilities		
I. Trade accounts payable	2,815	2,638
II. Embedded financial instruments	168	101
III. Other current liabilities	6,078	9,931
IV. Current financial liabilities	0	610
V. Accruals	780	780
VI. Deferred income	258	298
Total current liabilities	**10,099**	**14,258**
Total liabilities and shareholders' equity	**124,656**	**124,136**

Consolidated Changes in Shareholders' Equity

of MediGene AG for the periods from January 1 to March 31, 2007, and 2006

	Shares	Share capital	Capital reserves	Accumulated losses	Other reserves	Total share-holders' equity
		T€	T€	T€	T€	T€
Balance January 1, 2007	**28,653,630**	**28,654**	**311,627**	**-232,601**	**832**	**108,512**
Net profit for the period				-6,634		-6,634
Unrealized loss from QLT Inc. shares					-125	-125
Currency translation adjusments					-541	-541
Comprehensive income						**-7,300**
Capital increase	2,189,209	2,189	11,000			13,189
Capital increase expenses			-651			-651
Exercised options/bonds	344		1			1
Expenses on new options/bonds			118			118
Balance March 31, 2007, unaudited	**30,843,183**	**30,843**	**322,095**	**-239,235**	**166**	**113,869**
Balance January 1, 2006	**18,766,172**	**18,766**	**258,776**	**-225,709**	**-54**	**51,779**
Net loss for the period				137		137
Unrealized loss from QLT Inc. shares					229	229
Currency translation adjusments						0
Comprehensive income						**366**
Capital increase	1,852,260	1,852	13,799			15,651
Capital increase expenses			-800			-800
Exercised options/bonds	2,020	2	10			12
Expenses on new options/bonds			92			92
Balance March 31, 2006, unaudited	**20,620,452**	**20,620**	**271,877**	**-225,572**	**175**	**67,100**

Consolidated Cash Flow Statements

of MediGene AG for the periods from January 1 to March 31, 2007, and 2006

in T€	Q1 2007 unaudited	Q1 2006 unaudited
Cash flow from operating activities		
Net profit/loss (before tax)	-7,184	137
Adjustments to reconcile net loss with cash used in operating activities:		
Expenses for new options/bonds	119	92
Depreciation	362	269
Interest income	-412	-236
Interest expenses	3	5
Changes in:		
Inventories	385	-1,222
Other assets and accrued income	-991	-595
Trade accounts payable	177	1,194
Other liabilities and deferred income	-3,698	-258
Net cash used by operating activities	**-11,239**	**-614**
Cash flow from investing activities		
Purchases of property, plant & equipment	-191	-63
Net cash from investing activities	**-191**	**-63**
Cash flow from financing activities		
Proceeds from capital increase	12,578	15,651
Expenses capital increase	-651	-800
Proceeds from stock options	1	12
Proceeds from/repayments of convertible bonds	2	-1
Interest received	352	214
Interest paid	0	2
Principal payments under finance lease obligations	0	-44
Net cash from financing activities	**12,282**	**15,030**
Increase/decrease in cash and cash equivalents	852	14,353
Cash and cash equivalents at beginning of period	52,498	37,625
Currency translation	-92	1
Cash and cash equivalents at end of period	**53,258**	**51,979**

Supplementary schedule of non-cash financing activities:

No new leasing obligations for new laboratory and office equipment were incurred during the first three months of 2007, just as in last year's reporting period.

Notes to the Interim Consolidated Financial Statements

A) Description of Business Operations and Corporate Information

MediGene AG, Martinsried (hereinafter referred to as MediGene AG) is a biopharmaceuticals company which focuses on the research, development, and commercialization of innovative drugs, concentrating on indications of great medical necessity and substantial commercial interest. R&D activities center upon cancer and autoimmune diseases, while the group's sales and marketing measures focus on dermatology.

The group's main activities are described in the Notes under H) "Segment Reporting."

MediGene has been a publicly quoted company since June 2000 (German Stock Exchange: Regulated Market; Prime Standard; ISIN 502090; code MDG).

B) Accounting Principles

Basic principles for the preparation of interim financial statements

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 March 31, 2006, and 2007.

These quarterly financial statements do not include the full information required to prepare annual financial statements. Therefore these interim reports should be read in connection with the annual financial statements for 2006 and 2005. 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 interim consolidated financial statements were approved for publication by MediGene's Executive Board on May 3, 2007.

Changes in accounting and reporting principles

The accounting and reporting prinicples applied for the interim consolidated financial statements correspond to those applied for the consolidated annual financial statements 2006, with the exception of the application of new or revised accounting standards described in the following. Beyond this MediGene basically made no modifications to accounting principles after December 31, 2006.

The application of the following standards and interpretations has no significant impact on the presentation of the assets and income situation in the interim consolidated financial statements:

IFRS 7 ("Financial Instruments: Disclosure")

The impact of IFRS 7 on the disclosure of financial instruments is currently under review. The information required by this standard will be presented not later than in the consolidated annual financial statements 2007. The company currently assumes that the application of IFRS 7 will have no impact on the reporting of financial instruments.

IFRIC 8 ("Scope of IFRS 2")

IFRIC 8 regulates the application of IFRS 2 to any arrangements where equity instruments issued by the group for a consideration appear to be less than fair value. As equity instruments in the group are issued only to employees and Executive Board members within the scope of an employee stock option scheme, the first-time application of IFRIC 8 as of January 1, 2007 had no impact on the presentation of the assets and income position in the interim consolidated financial statements.

IFRIC 9 ("Reassessment of Embedded Derivatives")

IFRIC 9 interpretation prescribes that the assessment of whether an embedded derivative is to be separated from the host contract and reported as a derivative is to be made on the date on which a company first becomes a contracting party, and that a later reassessment may be made only in case a change in the terms of the contract gives rise to a significant change in cash flows. The effects of the application of this interpretation are under review. The application of this interpretation had no effects on the interim consolidated financial statements.

IFRIC 10 („Interim Financial Reporting and Impairment")

Regarding specific financial assets, IFRIC 10 deals with the interaction between IAS 34, IAS 36, and IAS 39 regulations. It refers to goodwill, equity instruments categorized as available for sale, as well as financial assets carried at cost. IFRIC 10 states that any imparment of value recognized in the interim consolidated financial statement that is subject to prohibition of reinstatement of orignial values pursuant to IAS 36 and IAS 39 must not be reversed in later interim or annual consolidated financial statements. Furthermore IFRIC 10 explicitly straightens out that this interpretation must not be applied analogously to similar circumstances. The application of this interpretation had no effects on the interim consolidated finanical statements on hand.

Group companies

In addition to the parent company, MediGene AG in Martinsried, the group (MediGene Group) includes two subsidiaries, MediGene, Inc., San Diego, USA, and Avidex Limited, Abingdon, Oxfordshire, United Kingdom (hereinafter also referred to as "Avidex Ltd."). The subsidiaries were acquired in 2001 (MediGene, Inc., USA) and 2006 (Avidex Ltd., UK), respectively.

Apart from that, MediGene held no other shares in affiliated companies, associated companies, or joint ventures as at March 31, 2007. 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.

C) Seasonal Dependancy of Business Operations

MediGene's business operations do not underlie any seasonal fluctuations.

D) Notes on the Consolidated Income Statements

Taxes

In the first three months of 2007, the MediGene group recognized a tax gain resulting from the release of deferred taxes on the liabilities side affecting net income. The deferred taxes were reported in the course of the first-time consolidation of Avidex Ltd. The release of deferred taxes affecting net income is effected at the same rate at which the accumulated losses of the subsidiary Avidex Ltd. increase. A tax rate of 30% is applied to this company. In the UK, there is no limitation on the utilization of accumulated losses.

E) Notes on the Balance Sheet

Share capital

Compared to December 31, 2006, share capital increased by 2,189 T€ from 28,654 T€ to 30,843 T€ as at March 31, 2007. At the beginning of February 2007, MediGene issued within the scope of a capital increase a total of approx. 2.062 million new shares at a price of 6.10 € each to institutional investors, under exclusion of stock subscription rights for existing shareholders.

The share capital is divided into 30,843,183 registered no-par-value common shares, approx. 91% of which were outstanding as at closing date.

Goodwill

The decrease of the reported goodwill is due solely to foreign currency translation effects as at closing date. These effects pertain to the book value of goodwill from the acquisition of Avidex Ltd. which is reported in British Pounds. This change is posted as "other reserves" in shareholders' equity.

Current liabilities

Compared to December 31, 2006, current liabilities as of March 31, 2007 decreased from 14,358 T€ by 4,259 T€ to 10,099 T€. This decrease is mainly a consequence of a 3,793 T€ license payment made for the marketing rights to Oracea™.

F) Notes on the Cash Flow Statements

The increase in cash used by operating activities in the first three months of 2007 is mainly due to an increase in net loss for the period (see page 18).

In early January 2007, MediGene made a one-time license payment of 3,793 T€ for the drug candidate Oracea™ to the licensor CollaGenex Pharmaceuticals Inc. which had become due at the beginning of the year when the license agreement came into effect.

In February 2007, MediGene successfully closed a capital increase. By issue of 2,062,040 new MediGene shares the company generated gross proceeds of approx. 12.6 million €.

The funds portrayed in the cash flow statements corresponds to the item "cash and cash equivalents" in the balance sheet.

G) Earnings per Share

The fully diluted net loss as at reporting date corresponds to the actual loss, as the conversion of common stock equivalents would have an anti-dilutive effect.

H) Segment Reporting

Primary reporting – business units
The group is organized into two primary business units: "Specialty Pharma" and "Biopharma".

Primary Reporting - Business Units In T€	Specialty pharma	Biopharma	Unallocated	Total
Q1 2007				
Total revenues	6,305	567	6	**6,878**
Cost of sales	5,590	0	0	**5,590**
Gross profit	**715**	**567**	**6**	**1,288**
Selling expenses	-125	0	-590	**-715**
General and administrative expenses	0	0	-1,586	**-1,586**
R&D expenses	-573	-5,889	0	**-6,462**
Operational result (EBIT)	**17**	**-5,322**	**-2,170**	**-7,475**
Finance result			291	**291**
Net result from continued operations	**17**	**-5,322**	**-1,879**	**-7,184**
Result from discontinued operations				
Net result	**17**	**-5,322**	**-1,879**	**-7,184**
Segment assets	1,393	63,168	60,095	**124,656**
Segment liabilities	0	327	10,460	**10,787**
Depreciation	60	194	108	**362**
Average number of employees	15	107	35	**157**
Investments [1)]	0	38	153	**191**
Q1 2006				
Total revenues	6,551	43	3	**6,597**
Cost of sales	1,225	0	0	**1,225**
Gross profit	**5,326**	**43**	**3**	**5,372**
Selling expenses	-70	0	-268	**-338**
General and administrative expenses	0	0	-1,145	**-1,145**
R&D expenses	-742	-3,237	0	**3,979**
Operational result (EBIT)	**4,514**	**-3,194**	**-1,410**	**-90**
Finance result			228	**228**
Net result from continued operations	**4,514**	**-3,194**	**-1,182**	**138**
Result from discontinued operations				
Net result	**4,514**	**-3,194**	**-1,182**	**138**
Segment assets	1,487	15,651	56,118	**73,256**
Segment liabilities	667	250	5,165	**6,082**
Depreciation	3	221	45	**269**
Average number of employees	13	66	24	**103**
Investments	0	26	37	**63**

1) Investments also include finance lease investments.

There are no internal service charges of a regular or planned nature between individual market segments or regions. For this reason, there are no details regarding such charges. The income in the individual segments is generated by external business relationships.

The business units are composed as follows:

Specialty Pharma products & product candidates:

- Eligard® for the treatment of hormone-dependent, advanced prostate cancer
- Polyphenon® E Ointment for the treatment of genital warts and actinic keratosis
- Oracea™ for the treatment of the skin disease rosacea (since December 2006)

Biopharma product candidates & technologies:

- EndoTAG®-1 for the treatment of solid tumors
- RhuDex® for the treatment of rheumatoide arthritis (since September 27, 2006)
- NV1020 for the treatment of liver metastases
- G207 for the treatment of brain tumors
- Preclinical product candidates: EsoDex®, YourDex®, and HiDex® (since September 27, 2006)

- EndoTAG® technology
- mTCR technology platform (since September 27, 2006)
- HSV technology

J) Other Notes

Contingent Liabilities

There were no accruals for the contingent liabilities listed below, as the risk of their utilization is regarded as improbable:

As per the balance sheet date, there was a rent security guarantee (273 T€), and a bank guarantee (27 T€) vis-à-vis the respective lessor.

Upon acqisition of the assets of the former Munich Biotech AG, MediGene committed itself to make milestone payments to the liquidator. Depending on the clinical success of EndoTAG®-1, the payments in question will fall due upon initiation of clinical phase III, and total 9.5 million €. No provision needed to be formed as, due to the product's current state of development, the probability that these payments fall due is considered to be below 50%.

The future annual minimum lease installments for operative leases are as follows:

In T€	Operative Lease March 31, 2007	Operative Lease December 31, 2006	Change
2007	1,104	1,307	-16 %
2008	1,088	1,063	2 %
2009	767	762	1 %
2010	14	13	8 %
Thereafter	8	8	0 %
Minimum lease obligations	2.981	3,153	-5 %

The company leases office and laboratory space, office furniture, laboratory equipment, and motor vehicles. These objects constitute operative leases since the group by contract does not bear the risks and potential rewards. The lease agreements have different terms, rental increase provisions, and prolongation options. The group's periods of notice range between one month and five years for these lease agreements.

K) Board of Directors and Supervisory Board

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

Members	Shares 3M-2007	Shares Y-2006	Options 3M-2007	Options Y-2006	CB*) 3M-2007	CB*) Y-2006
Prof. Dr. Ernst-Ludwig Winnacker Supervisory Board Chairman, Co-founder	268,676	268,676	37,700	37,700	1,600	1,600
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	0	1,000	0	0	800	800
Sebastian Freitag Supervisory Board Member	0	0	0	0	0	0
Dr. Manfred Scholz Supervisory Board Member	80,000	80,000	0	0	0	0
Michael Tarnow Supervisory Board Member	6,337	6,337	0	0	15,800	15,800
Total Supervisory Board	**358,313**	**359,313**	**43,290**	**43,290**	**18,200**	**18,200**
Dr. Peter Heinrich Chief Executive Officer, Co-founder	503,505	503,505	116,636	116,636	0	0
Dr. Ulrich Delvos Chief Operating Officer	2,000	2,000	25,000	25,000	0	0
Alexander Dexne Chief Financial Officer	0	0	100,000	100,000	0	0
Total Executive Board	**505,505**	**505,505**	**241,636**	**241,636**	**0**	**0**
Treasury Stock	**0**	**0**		**0**	**0**	**0**

*) Convertible Bonds

(Status as at March 31, 2007, and December 31, 2006)

Financial Calendar / Imprint

2007

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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