



PRESS RELEASE, 9 July 2003

INTERIM REPORT, 1 January - 30 June 2003

- In May, Medivir reached a licensing agreement on MIV-210 with GlaxoSmithKline; EUR 6 m was received upon signing and up to EUR 86 m on the achievement on specific milestones, excluding royalties.
- CCS divested to the Segulah II L.P. investment fund as of 1 July 2003 for a price of SEK 210 m. This is a part of Medivir's strategy to fully focus on its R&D activities.
- Successes in the preclinical research have generated several new projects within areas with large need of therapies.
- Medivir's shares have been quoted on the Stockholm Exchange's Attract 40 list since 1 July.
- Profit after financial items was SEK -33.3 (4.3) m. Net sales stood at SEK 138.6 (165.5) m.
- CCS' net sales grew to SEK 85.6 (76.7) m. Profit after financial items was SEK 16.8 (9.6) m.

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FORTHCOMING FINANCIAL INFORMATION

The Third-quarter Interim Report 2003 will be published on 23 October 2003.

Medivir's financial reports are available at its Website, www.medivir.se from these dates, under the 'Financial Information' heading.

The Medivir Group

Medivir is an innovative, specialist research corporation that develops new pharmaceutical compounds based on proteases and polymerases as target enzymes. The company is located in Huddinge, Sweden and Cambridge, UK.

The group comprised Medivir AB, the subsidiaries Medivir UK Ltd. and the CCS group until 1 July 2003, after this date the CCS group is owned by Segulah II L.P. Medivir has been quoted on the Stockholm Stock Exchange since 1996 and on the Attract40 list since 1 July 2003

Medivir's research portfolio includes projects against HIV, jaundice, shingles, cold sores, osteoporosis, RA (rheumatoid arthritis), asthma and MS (multiple sclerosis).

Medivir has four projects in clinical development phases, two of which are entering phase III after completing phase II. One project is in phase I and one is in phase II.

In the first stage of preclinical pharmaceutical discovery, Medivir has some ten activities in explorative activities; the second, lead identification, encompasses three projects. The third stage, optimization, has one project, and two projects entering this stage. One project—MV026048—is in preclinical development, the stage closest to clinical development.

INFECTIOUS DISEASES

RP-606 (Previously MIV-606) against Shingles; Phase II Complete, Proceeding to Phase III

Medivir's partner Reliant will fund clinical phase III trials, apply for market registration in the US and other countries, and after approval, market and sell RP-606 in North America.

Reliant's efforts have been oriented on synthesis and formulation development, substance production and planning ahead of forthcoming phase III trials. An extensive synthesis development process has been successful; substance production ahead of upcoming phase III trials will soon begin.

ME-609 against Labial Herpes (Cold Sores); Phase II Complete, Proceeding to Phase III

Efforts in the first half-year were focused on consolidating ME-609's European patents. This work is scheduled for completion during summer 2003, providing reinforced patent protection, which is a necessity for securing optimal collaboration agreements with one or more external partners.

MIV-310 against Multiresistant HIV; Phase II Trials Continue

The phase IIa trial concluded in 2002 demonstrated MIV-310's efficacy on patients whose HIV infection could not be controlled with currently available drugs because of resistance development. MIV-310 may be part of future treatments for the growing patient population with multiresistant HIV. Discussions regarding the onward progress of this project are in hand with potential partners.

MIV-210 against HIV and Hepatitis B Virus (Jaundice); Phase I Trials Continue

Medivir entered a global licensing agreement with GlaxoSmithKline (GSK) in May, primarily to focus on the onward development of MIV-210 for the treatment of HIV.

The agreement stipulates GSK paying up to EUR 86 m, dependent on the achievement of specific milestones. GSK paid EUR 6 m coincident with the agreement's signing. Additionally, GSK will pay royalties on sales, providing the product reaches the market.

GSK is assuming responsibility for drug development, and possesses global market rights excluding the Nordic countries (Denmark, Finland, Iceland, Norway and Sweden), which Medivir will retain.

MV026048 against HIV; in Preclinical Development

MV026048 is an NNTRI polymerase inhibitor now in late preclinical development. In April 2002, Medivir outlicensed this project to Roche, which will undertake onward development.

MIV-170 against HIV; in the Preclinical Optimization Phase

MIV-170 is a new NNRTI polymerase inhibitor, focusing specifically on treatment of the growing patient population with multiresistant HIV. Major advances have been made in a very short space of time, and the project has now entered its optimization phase.

IMMUNOLOGICAL DISEASES

Cathepsin S against RA and MS; in Preclinical Optimization

Medivir's Cathepsin S (protease inhibitor) project—intended as a novel therapy against autoimmune diseases, which are common and have a large market potential—is now well advanced in its optimization phase. This project is being pursued against indications such as RA and MS, jointly with Peptimmune of the US. The Cathepsin S inhibitor has recently accessed a major new potential indication, with reported efficacy against acute and chronic pain.

OTHER THERAPY AREAS

Cathepsin K is a protease whose activity results in the breakdown of skeletal tissue. If Cathepsin K activity increases, or upon an imbalance between skeletal accumulation and breakdown, osteoporosis (brittle bones) results. It has been demonstrated that the pathogenic resorption of skeletal tissue can be radically retarded if Cathepsin K activity is reduced. Medivir's inhibitor has demonstrated good efficacy in a human cellular model of skeletal resorption (breakdown). Key advances have been made within this project, which has a large market potential and is at the forefront of research towards a new treatment therapy. It has now advanced to optimization phase.

CCS

CCS maintained positive sales performance, registering gains of 12%, attributable to further brisk sales growth across CCS' entire product range. CCS continued to advance its market positioning in skin-care products and pharmaceuticals in the period.

Operating profit increased significantly in the period, with operating margins returning to historical levels. This progress is explained by a better product mix, and the fact that profit was no longer burdened by restructuring and non-recurring costs, related to events including the take-over of AstraZeneca's eye-care products and the contract manufacture of Nezeril, as it was in H1 2002.

Medivir divested the CCS group to the Segulah II L.P. investment fund for SEK 210 m as of 1 July 2003. This divestiture is an element of Medivir's strategy of creating a world-leading research corporation in the protease and polymerase segment, and in the future, to accumulate proprietary sales and marketing resources in the Nordic region. With an even sharper focus, Medivir will now be able to develop its research portfolio, while gaining additional financial resources. CCS' new ownership confers it with very bright prospects of sustaining successful expansion.

MEDIVIR'S CONSOLIDATED TURNOVER AND COSTS

The Group

In the period 1 January - 30 June 2003, consolidated net sales were SEK 138.6 (165.5) m. Operating costs amounted to SEK -174.6 (-164.9) m, costs which include SEK -1.7 (-1.7) m of goodwill amortization. Medivir's net financial position was SEK 0.3 (1.8) m. Profit after financial items amounted to SEK -33.3 (4.3) m.

As of 1 July, investment fund Segulah II L.P. acquired the CCS group, implying that as previously, this Report includes Medivir's research operation and CCS' consolidated figures. The profit of the CCS group's divestiture will be posted in the third quarter, as well as the purchase price of SEK 210 m, to be included in Medivir's cash position from 1 July 2003.

Medivir's Research Activities

The net sales of Medivir's research activities, which encompass Medivir AB and Medivir (UK) Ltd., totaled SEK 53.4 (89.3) m in the period. Net sales largely comprise the outlicensing of MIV-210 to GSK. The previous year's turnover comprised the outlicensing of RP-606 and MV026048 to Reliant Pharmaceuticals and Roche respectively.

Operating costs stood at SEK -102.3 (-94.9) m, divided between external costs of SEK -45.8 (-50.9) m, personnel costs of SEK -48.9 (-36.6) m and depreciation of SEK -7.6 (-7.5) m. The increased personnel expenses are partly attributable to costs relating to the divestiture of CCS. Operating profit was SEK -48.8 (-5.5) m; profit after financial items amounted to SEK -48.4 (-3.6) m.

CCS

The CCS group encompasses CCS AB, Nordic Care Sweden AB and CCS (UK) Ltd. CCS' net sales grew to SEK 85.6 (76.7) m. CCS' consolidated operating profit rose to SEK 16.9 (9.7) m, while profit after financial items was SEK 16.8 (9.6) m; 35 (34)% of CCS AB's product sales comprise contract manufacture and 17 (17)% exports. Sales and profits continued progressing positively.

Financial Position

Consolidated liquid assets including short-term investments stood at SEK 131.1 (184.4) m as of 30 June, with the market value of listed equities of SEK 10.1 (11.0) m being additional. At the mid-point of the year, interest-bearing liabilities were SEK 3.7 (2.3) m. Shareholders' equity was SEK 285.2 (384.4) m. The consolidated equity ratio was 81.8 (87.9)%.

Investments

Gross investments in consolidated tangible fixed assets were SEK 6.0 (3.4) m in the period, primarily attributable to Medivir's acquisition of research equipment and renovation of existing premises, and the acquisition of production equipment within CCS.

Other

Lars Adlersson took up position as the company's CEO and President on 1 March.

Accounting Principles

The group observed the Swedish Annual Accounts Act when preparing this Interim Report. The accounting and valuation principles applied are consistent with RR (the Swedish Financial Accounting Standards Council) recommendations and statements.

Outlook

Medivir's capacity to produce new CDs (candidate drugs) cost efficiently for development into new drugs through clinical trials, to create partnerships on its projects, and finally, for clinical development projects to transform into successful marketing initiatives and generate sales, is decisive to Medivir's future.

Medivir's objective for 2003 is to enter additional partnerships, which may have a major impact on Medivir's turnover and cash position, are impossible to timetable.

As a consequence of difficulties in determining the timing of new partnerships and outlicensing, Medivir will not publish any profit forecast for 2003.

Medivir
The Board
Huddinge, Sweden
9 July 2003

This Report has not been subject to specific review by Medivir's auditors.

CONSOLIDATED INCOME STATEMENT, AGGREGATE

Summary, SEK m

	2003	2002	2001	2002
	Jan. - Jun.	Jan. - Jun.	Jan. - Jun.	Jan. - Dec.
Turnover, etc.				
Net sales	138.6	165.5	63.6	256.3
Change in inventories and other revenues	2.4	1.9	-0.4	3.1
Total	141.0	167.4	63.2	259.4
Operating costs				
Raw materials and consumables	-33.6	-34.8	-25.9	-63.4
Other external costs	-59.8	-62.5	-52.7	-131.1
Personnel costs	-68.8	-55.7	-49.3	-111.2
Depreciation	-12.4	-11.9	-10.3	-24.3
Total operating costs	-174.6	-164.9	-138.2	-330.0
Operating profit	-33.6	2.5	-75.0	-70.6
Profit from financial investments	0.3	1.8	7.0	6.4
Profit after financial items	-33.3	4.3	-68.0	-64.2
Tax*	0	0	0	4.4
Net profit	-33.3	4.3	-68.0	-59.8
Earnings per share, SEK	-3.88	0.51	-8.21	-7.09
Average number of shares, 000	8 590	8 439	8 288	8 439
Number of shares, closing balance, 000	8 590	8 590	8 288	8 590

* The group has estimated accrued tax-deductible losses of at least SEK 350 m until 2002 inclusive.

The positive tax amount is mainly attributable to Medivir UK's tax credits, a consequence of UK fiscal legislative support for research.

CONSOLIDATED INCOME STATEMENT, QUARTERLY

Summary, SEK m

	2003	2002	2001
	Apr. - Jun.	Apr. - Jun.	Apr. - Jun.
Turnover, etc.			
Net sales	95.2	78.9	33.3
Change in inventories and other revenues	1.5	1.2	-2.3
Total	96.7	80.1	31.0
Operating costs			
Raw materials and consumables	-17.4	-19.6	-11.2
Other external costs	-29.4	-25.7	-24.5
Personnel costs	-38.5	-28.2	-26.1
Depreciation	-6.1	-5.9	-5.3
Total operating costs	-91.4	-79.4	-67.1
Operating profit	5.3	0.7	-36.1
Profit from financial investments	0	0.8	2.8
Profit after financial items	5.3	1.5	-33.3
Tax	0	0	0
Net profit	5.3	1.5	-33.3

CONSOLIDATED BALANCE SHEET

Summary, SEK m

	2003	2002	2001	2002
	30 Jun.	30 Jun.	30 Jun.	31 Dec.
Assets				
Fixed assets				
Intangible fixed assets	35.3	35.6	39.0	37.1
Tangible fixed assets	104.0	103.0	105.5	109.5
Financial fixed assets	3.1	3.1	3.3	3.1
Total fixed assets	142.4	141.7	147.8	149.7
Current assets				
Inventories	37.2	45.3	48.0	34.0
Current receivables	37.8	65.9	30.9	42.9
Short-term investments	108.8	168.1	240.3	110.4
Cash and bank balances	22.3	16.3	12.3	33.4
Total current assets	206.1	295.6	331.5	220.7
Total assets	348.5	437.3	479.3	370.4
Liabilities and shareholders' equity				
Restricted equity	582.8	588.4	573.4	585.4
Accumulated deficit/non-restricted equity	-297.7	-204.0	-145.0	-265.4
Total shareholders' equity Note 1	285.1	384.4	428.4	320.0
Provisions	3.7	4.5	5.2	3.7
Long-term liabilities	3.7	2.3	0	4.5
Current liabilities	56.0	46.1	45.7	42.2
Total liabilities and shareholders' equity	348.5	437.3	479.3	370.4

Note 1

Change in shareholders' equity (SEK m)

	Restricted Equity	Accumulated Deficit/ Non-restricted Equity	Tot. Shareholders' Equity
Balance sheet, 31 Dec. 2002	585.4	-265.4	320.0
Transfer between restricted and non-restricted reserves	-2.6	2.6	0
Translation differences		-1.6	-1.6
Net profit		-33.3	-33.3
Balance Sheet, 30 Jun. 2003	582.8	-297.7	285.1

CONSOLIDATED CASH FLOW STATEMENT

Summary, SEK m

	2003	2002	2001	2002
	Jan. - Jun.	Jan. - Jun.	Jan. - Jun.	Jan. - Dec.
Ongoing operations				
Operating profit after financial items	-33.3	4.3	-68.0	-64.2
Estimated subsidiary tax credit	0	0	0	4.1
Adjustment for items not included in cash flow:				
Depreciation and write-downs	12.4	11.9	10.3	24.3
Capital gain/loss on divestment of fixed assets and exchange rate difference	-0.6	-0.5	-1.5	-1.2
Tax paid/received	1.0	-1.4	-1.5	-1.2
Cash flow from ongoing operations before change in working capital	-20.5	14.3	-60.7	-38.3
Change in working capital	14.6	-31.1	-12.6	-0.9
Cash flow from ongoing operations	-5.9	-16.8	-73.3	-39.2
Investment activity				
Acquisitions/divestment of tangible fixed assets	-6.0	-3.4	-16.7	-20.3
Acquisitions of intangible fixed assets	0	0	0	-3.4
Acquisitions of financial fixed assets	0	0	-0.2	0
Cash flow from investment activity	-6.0	-3.4	-16.9	-23.7
Financing activity				
Financial payments	0	20.5	0	20.5
Increase (+) / decrease (-) in long-term liabilities	-0.8	1.3	0	3.6
Cash flow from financing activity	-0.8	21.8	0	24.1
Cash flow for the period				
Liquid assets, opening balance*	143.9	182.7	342.8	182.7
Change in liquid assets	-12.7	1.6	-90.2	-38.9
Exchange rate difference, liquid assets	-0.1	0.1	0	0
Liquid assets, closing balance*	131.1	184.4	252.6	143.9

* Liquid assets comprise cash and bank balances, plus short-term investments.

The market value of listed equities, of SEK 10.1 m (9.7 m at year-end 2002) is additional to the above.

KEY FIGURES

	2003	2002	2001	2002
	Jan. - Jun.	Jan. - Jun.	Jan. - Jun.	Jan. - Dec.
Return on:				
- equity, %	-11.01	1.16	-14.70	-17.60
- capital employed, %	-10.70	1.22	-14.68	-18.50
- total capital, %	-9.13	1.08	-13.19	-16.30
Average number of shares, 000	8 590	8 439	8 288	8 439
Number of shares, closing balance, 000	8 590	8 590	8 288	8 590
Outstanding warrants, 000	513.4	313.4	313.4	513.4
Earnings per share, SEK	-3.88	0.51	-8.21	-7.09
Shareholders' equity per share, SEK	33.20	44.75	51.68	37.26
Cash flow per share after investments, SEK	-1.39	-2.39	-10.89	-7.45
Earnings per share, SEK*	-3.53	0.60	-7.80	-6.42
Shareholders' equity per share, SEK*	38.49	49.01	55.84	42.44
Equity ratio, %	81.81	87.90	89.37	86.40

For forecast year-2003 earnings per share, please refer to the 'Outlook' heading in the section on Medivir's consolidated turnover and costs.

* After full utilization of outstanding warrants.

RR's (the Swedish Financial Accounting Standards Council) instruction No. 18 stipulates that any potential ordinary shares do not give rise to any dilution effect when their conversion into ordinary shares results in increased EPS, which would occur upon the conversion of Medivir's outstanding warrants. Thus, the above should not be considered a calculation of dilution effects but a theoretical calculation of profit and shareholders' equity per share, after the full exercise of outstanding warrants.