

## **MEDIVIR INTERIM REPORT, 1 January – 31 March 2001**

- Profit after financial items was SEK -34.7 (-12.6) m; net sales increased to SEK 30.2 (25.0) m.
- CCS' sales grew to SEK 30.7 (20.6) m; operating profit was SEK 4.7 (4.5) m.
- Extended collaboration agreement with Genzyme (USA).
- ME-609 against herpes gains patent allowance on the US market.
- MIV-150 against HIV: new formulations with improved bio-availability in phase I.
- The AGM resolved on the issuance of 210,000 stock options to staff.
- Hans Dalborg, Alf Lindberg and Anders Vedin join Medivir's Board.

### ***Forthcoming Reports in 2001***

The six-month Interim Report will be published on 6 July.  
The nine-month Interim Report will be published on 31 October.

These Reports will be available on Medivir's Website [www.medivir.se](http://www.medivir.se) on these dates under the heading 'Financial Information'.

### **For more information, please contact:**

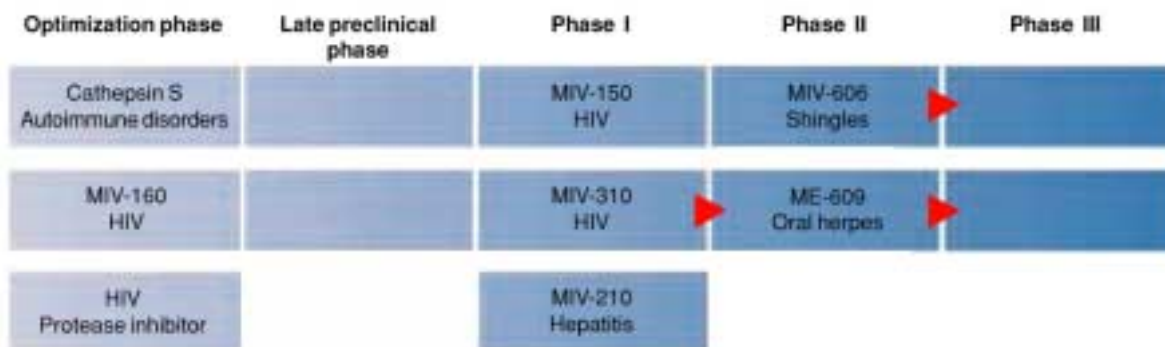
Jonas Frick, CEO and President: +46 (0)8 608 3117  
Rein Piir, CFO / IR: +46 (0)8 608 3123

Medivir AB, Lunastigen 7, 141 44 Huddinge, Sweden  
Tel. +46 (0)8 608 3100, e-mail: [medivir@medivir.se](mailto:medivir@medivir.se), [www.medivir.se](http://www.medivir.se)

### ***The Medivir group***

*The group comprises Medivir AB, the subsidiaries Medivir UK Ltd. and CCS AB, plus second-tier subsidiaries CCS (UK) Ltd. and Nordic Care Sweden AB (formerly Jillprodukter). Medivir is an innovative specialist pharmaceuticals research and development corporation. Medivir's research is focused on developing compounds into new pharmaceuticals based on proteases and polymerases as target enzymes. Medivir's research concentrates primarily on infectious diseases and autoimmune deficiencies. The research portfolio comprises projects against HIV, jaundice, shingles, cold sores, osteoporosis and autoimmune deficiencies. Medivir has five projects in clinical development phases, two of which are entering phase III after completing phase II. Two are in phase I and one project is entering phase II. Medivir's preclinical research encompasses a number of projects, three of which are in their optimization phase.*

## Medivir's Project Portfolio



▶ Completed, on its way into next phase.

(The figure above schematically depicts the current development phase for the various Medivir projects)

### Medivir's clinical projects

#### MIV-606 against shingles

Several preclinical trials and a clinical bridging study were completed in the period with favorable results. These constitute part of the preparations for the forthcoming phase III trials. These trials will be structured to enable registration on the primary markets of North America, Europe and Japan. Negotiations regarding impending out-licensing of MIV-606 are proceeding according to plan.

#### ME-609 against labial herpes (cold sores)

Phase II trials were completed and preliminary data presented in the fourth quarter 2000. The relevant CRO (Contract Research Organization) has now handed down its report on these trials to Medivir, and the results are promising. Efforts to formulate a strategy ahead of forthcoming phase III trials, and to identify a licensing partner for the ME-609 project, have begun.

In January, ME-609 received a notice of allowance from the US patent authorities regarding the anti-viral combination; the patent is valid until 2016. As previously announced, ownership rights for patents and products are currently being transferred from AstraZeneca to Medivir.

#### Anti-HIV agent MIV-150

Further formulation efforts to achieve enhanced bio-availability were effected in the period, generating positive results. Chiron is continuing phase I trials, which are scheduled for completion in the second half-year 2001. Planning activities are underway ahead of forthcoming phase II trials, which as previously indicated, are expected to commence in late 2001.

#### MIV-310 against multi-resistant HIV

As previously announced, Medivir has decided to resume the clinical development of MIV-310 and is planning a phase II trial to demonstrate efficacy on patients with multi-resistant HIV, and to identify a toxicologically acceptable dosage.

Communication with the relevant authorities and clinical investigators are in their concluding phase. This phase IIa trial is scheduled for completion during 2001.

### **MIV-210 against hepatitis B (jaundice)**

In December 2000, the UK Ethics Committee gave Medivir clearance to start phase I trials, which have progressed well, with preliminary results indicating very positive oral bio-availability. These trials are scheduled for completion during of 2001. Preclinical efficacy studies have been effected in parallel with this process, generating favorable results; pre-clinical safety trials are continuing.

### **Medivir's preclinical research\***

#### **Project progress**

Three of Medivir's late preclinical projects are in their optimization phase; progress on these pharmaceuticals projects—Cathepsin S against autoimmune deficiencies, MIV-160 against HIV polymerases and an HIV-1 protease inhibitor project—progressed well in the quarter.

Medivir AB and Genzyme extended their research collaboration encompassing the development of new drugs to treat asthma, allergies and autoimmune deficiencies. This collaboration is intended to produce pharmaceuticals that inhibit 'Cathepsin S', a protease central to immuno-activation. Orally bio-available and effective Cathepsin S-inhibiting model compounds have been produced, and the continued development of these potential pharmaceuticals will probably be commercialized through out-licensing to a global pharmaceuticals corporation. Efforts to identify such a partner have begun. Medivir and Genzyme jointly own those Cathepsin S-inhibiting compounds developed through this joint venture.

Extensive patent initiatives for the MIV-160 project have been completed, with a comprehensive patent application submitted to the relevant authorities.

Medivir has made significant progress in identifying model compounds that inhibit the activity of Cathepsin K (this research phase precedes optimization). Accordingly, Medivir expects this project to progress to the optimization phase this year. Cathepsin K is a protease found in osteoclasts, bone cells and is active in skeletal deterioration. Cathepsin K inhibitors are expected to be highly significant in the treatment of osteoporosis.

A number of other early-phase projects have been evaluated using Medivir's patented technologies, generating promising results, and expected to mean new projects advancing to the lead identification phase in the year.

Many pharmaceuticals companies are exhibiting acute interest in Medivir's preclinical project portfolio and technologies.

\*For explanations of the terminology in the above text, please refer to Medivir's Annual Report.

### **Other activities**

Medivir hired a number of professionals central to its preclinical operations in the quarter, including Dr Eddy Littler, who has taken up a position as head of Medivir's preclinical Biology & Molecular Science function, and as Medivir UK's Site Manager. Dr Littler, 44, joins us from GlaxoSmithKline, where he headed up viral research at Stevenage, UK, focusing on hepatitis C, herpes and respiratory viral diseases.

### **CCS**

CCS is in a robust expansion phase, with its proprietary brands generating sustained brisk sales performance. Additionally, CCS acquired Nordic Care Sweden AB (formerly Jillprodukter), a transaction effective on 1 January 2001, which brings CCS additional sales and products. Nordic Care Sweden AB also adds a sales channel through its sales force targeted on foods wholesaling and retailing. Efforts to renovate and extend premises in response to forthcoming contract manufacture for AstraZeneca are in hand, scheduled to be brought into operation in the first quarter of 2002.

### **Medivir AB—new Board members**

The Annual General Meeting appointed Hans Dalborg, Deputy Chairman of Nordea AB, Professor Alf Lindberg, previously Head of Research at Aventis Pasteur and Professor Anders Vedin, previously CEO of AB Hässle, to Medivir's Board. Berndt Sjöberg and Sten Dahlstrand moved on from the Board after many year's active participation. The Board now comprises eight regular members with no deputies.

### **Medivir's consolidated turnover and costs**

#### **The group**

Consolidated net sales were SEK 30,250,000 (25,003,000) in the period; operating costs increased to SEK -70,979,000 (-39,166,000), including goodwill amortization of SEK -841,000 (-423,000). The net financial position was SEK 4,105,000 (1,345,000). Profit after financial items was SEK -34,676,000 (-12,627,000).

#### **Medivir AB**

Medivir AB's net sales amounted to SEK 553,000 (4,643,000), with the reduction in revenues due to Medivir AB receiving research support remuneration for the HIV pharmaceutical MIV-160 in 2000, with these payments ceasing from 2001 onwards. Operating costs were SEK -36,110,000 (-22,693,000), divided between external cost of SEK -23,187,000 (-14,394,000), personnel costs of SEK -10,943,000 (-7,317,000) and depreciation of SEK -1,980,000 (-982,000). External costs include SEK -6,107,000 (0) in agreed remuneration to Medivir UK regarding preclinical research performed in Cambridge, UK. The increase in personnel costs is mainly due to more researchers being hired in 2000. Depreciation increased, mainly because of investments in new research equipment and the completion of combinatorial chemistry and HTS (high throughput screening) premises in 2000.

Operating profit was SEK -35,586,000 (-18,050,000), with the majority of the profit downturn attributable to remuneration to Medivir UK for preclinical research and increased personnel costs resulting from an expanded headcount and the resulting research costs.

## **Medivir UK**

Medivir UK's net sales were SEK 5,860,000 (0), comprising remuneration from Medivir AB for preclinical research. Operating costs were SEK -12,958,000 (0), divided between external costs of SEK -7,365,000 (0), personnel costs of SEK -4,512,000 (0) and depreciation of SEK -1,081,000 (0). Medivir UK, located in Cambridge, UK, was acquired through a non-cash issue and was consolidated in April 2000.

## **CCS**

CCS' turnover was SEK 30,656,000 (20,581,000) CCS' operating profit (including Nordic Care Sweden AB and CCS UK Ltd) was SEK 4,744,000 (4,491,000), with profit after financial items of SEK 4,828,000 (4,721,000). Of CCS AB's product sales, 35.9% (28.1%) comprised contract manufacture and 16.4% (21.7%) export sales.

The sales gains were due partly to the positive sales performance of those products launched under CCS' auspices, because CCS has been manufacturing ACO Hud's skin-care products on contract since 1 July 2000 and the sale of Nordic Care's (formerly Jillprodukter) body-care products being included in CCS' consolidated figures from January 2001 onwards. During the period, operating profit was subject to costs for the integration of Nordic Care, plus costs for the forthcoming take-over of AstraZeneca's eye-care products and contract manufacturer of Nezeril, which will become operational in the first quarter of 2002.

## **Financial position**

The closing balance of consolidated liquid assets including short-term investments was SEK 293,833,000 (342,784,000 as of 31 December 2000). Medivir had SEK 692,000 of interest-bearing liabilities as of 31 March 2001 (SEK 0 as of 31 December 2000).

Shareholders' equity was SEK 462,183,000 (SEK 497,166,000 as of 31 December 2000). The consolidated equity ratio was 89.9%, against 90.3% as of 31 December 2000.

The AGM of 28 March 2001 resolved to raise a SEK 5,000 subordinated debenture through the issuance of debt instruments with 210,000 detachable options to subscribe for new class B shares, which implies the company's share capital increasing by a maximum of SEK 1,050,000, or approximately 2.5% of the share capital and approximately 1.5% of the votes.

Upon full subscription, the total number of outstanding options corresponds to some 5.2% of total share capital, and some 3.1% of the total number of votes. Additionally, the AGM resolved that a new subsidiary disposes over these options in order to realize the undertakings of those call options issued under the auspices of the staff stock option program.

These call options will be issued to employees of the Medivir group free of charge; the aforementioned subsidiary will dispose over number of options to subscribe for Medivir stock in order to cover potential future social security costs resulting from the exercise of the call options.

**Investments**

Gross investments in consolidated fixed assets were SEK 7,501,000 (6,451,000) in the period, with these investments mainly due to the acquisition of research equipment for Medivir, plus the renovation and extension of production and office premises and acquiring production equipment for CCS.

**Accounting principles**

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

Huddinge, Sweden, 10 May 2001

Medivir  
The Board

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

## CONSOLIDATED INCOME STATEMENT

Summary, SEK 000

	2001 Jan-Mar	2000 Jan-Mar	1999 Jan-Mar	2000 Jan-Dec
<b>Turnover etc.</b>				
Net sales	30,250	25,003	61,058	110,365
Change in inventories	1,924	175	443	1,181
Capitalized work on behalf of other parties	0	0	0	472
Other turnover	24	16	110	882
<b>Total turnover</b>	<b>32,198</b>	<b>25,194</b>	<b>61,611</b>	<b>112,900</b>
<b>Operating costs</b>				
Raw materials and supplies	-14,736	-8,160	-7,576	-30,736
Other external costs	-28,220	-17,202	-32,495	-101,525
Personnel costs	-23,022	-11,547	-10,090	-66,689
Depreciation	-5,000	-2,257	-2,176	-14,821
<b>Total operating costs</b>	<b>-70,979</b>	<b>-39,166</b>	<b>-52,337</b>	<b>-213,771</b>
<b>Operating profit</b>	<b>-38,781</b>	<b>-13,972</b>	<b>9,274</b>	<b>-100,870</b>
<b>Profit from financial investments</b>				
Profit from other securities and receivables	30	174	0	162
Other interest income etc.	4,172	1,205	,1,176,	15,435
Interest costs etc.	-97	-34	-5	-100
<b>Total profit from financial investments</b>	<b>4,105</b>	<b>1,345</b>	<b>1,171</b>	<b>15,497</b>
<b>Profit after financial items</b>	<b>-34,676</b>	<b>-12,627</b>	<b>10,445</b>	<b>-85,373</b>
Tax*	0	0	0	1,018
<b>Net profit</b>	<b>-34,676</b>	<b>-12,627</b>	<b>10,445</b>	<b>-84,355</b>

\*The group has accrued tax-deductible losses of at least SEK 90 m for 2000.

No tax costs for Medivir AB arose in 1999 because the company made a tax-deductible loss in the previous year.

## CONSOLIDATED BALANCE SHEET

Summary, SEK 000

	2001 31 Mar	2000 31 Mar	1999 31 Mar	2000 31 Dec	
Assets					
<b>Fixed assets</b>					
Intangible fixed assets	39,795	26,057	27,752	40,637	
Tangible fixed assets	100,222	55,844	51,308	96,606	
Financial fixed assets	3,321	3,133	3,133	3,321	
<b>Total fixed assets</b>	<b>143,337</b>	<b>85,034</b>	<b>82,193</b>	<b>140,565</b>	
<b>Current assets</b>					
Inventories	47,835	36,777	13,551	42,082	
Current receivables	29,110	18,004	16,110	24,967	
Short-term investments	274,326	112,068	125,528	327,621	
Cash and bank balances	19,507	15,586	14,872	15,163	
<b>Total current assets</b>	<b>370,777</b>	<b>182,435</b>	<b>170,061</b>	<b>409,834</b>	
<b>Total assets</b>	<b>514,115</b>	<b>267,469</b>	<b>252,254</b>	<b>550,398</b>	
<b>Liabilities and shareholders' equity</b>					
Restricted equity	574,997	237,233	231,020	574,866	
Accumulated deficit /non-restricted equity	-112,814	-11,382	-10,036	-77,699	
<b>Total shareholders' equity</b>	<b>Note 1</b>	<b>462,183</b>	<b>225,851</b>	<b>220,984</b>	<b>497,166</b>
Provisions	5,260	6,245	6,498	5,260	
Current liabilities	46,671	35,373	24,772	47,972	
<b>Total liabilities and shareholders' equity</b>		<b>514,115</b>	<b>267,469</b>	<b>252,254</b>	<b>550,398</b>

### Note 1

#### Change in shareholders' equity (SEK 000)

	Restricted equity	Accumulated deficit/ non-restricted equity	Total share- holders' equity
Balance sheet, 31 Dec. 2000	575,755	-78,588	497,166
Transfer between restricted and non-restricted reserves-771		771	0
Option conversion	13		13
Translation difference		-321	-321
Net profit		-34,676	-34,676
<b>Balance Sheet 31 Mar. 2001</b>	<b>574,997</b>	<b>-112,814</b>	<b>462,183</b>

## CONSOLIDATED CASH FLOW STATEMENT

Summary, SEK 000

	Jan-Mar 2001	Jan-Mar 2000	Jan-Mar 1999	Jan-Dec 2000
<b>Ongoing operations</b>				
Operating profit after financial items	-34,676	-12,627	10,445	-85,373
Adjustment for items not included in cash flow:				
Depreciation	5,000	2,257	2,176	14,821
Exchange rate and translation differences	-383	0	0	-199
Capital gains(-)/loss(+) on divested fixed assets	0	0	0	-95
Tax paid	-1,111	-433	0	-627
<b>Cash flow from ongoing operations before change in working capital</b>	<b>-31,169</b>	<b>-10,803</b>	<b>12,621</b>	<b>-71,473</b>
Change in working capital	-10,294,	-2,716	-2,971	-3,164
<b>Cash flow from ongoing operations</b>	<b>-41,463</b>	<b>-13,519</b>	<b>9,650</b>	<b>-74,637</b>
<b>Investment activity</b>				
Acquisitions of tangible fixed assets	-7,299	-6,451	-2,584	-43,541
Acquisitions of financial fixed assets	-202	0	0	-873
Disposals of tangible fixed assets	0	0	0	140
Increase in long-term receivables	0	0	0	-188
<b>Cash flow from investment activity</b>	<b>-7,501</b>	<b>-6,451</b>	<b>-2,584</b>	<b>-44,463</b>
<b>Financing activity</b>				
Financial payments	13	0	0	314,258
<b>Cash flow from financing activity</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>314,258</b>
<b>Cash flow for the period</b>				
Liquid assets, opening balance*	342,784	147,625	133,334	147,625
Change in liquid assets	-48,951	-19,970	7,066	195,159
<b>Liquid assets, closing balance*</b>	<b>293,833</b>	<b>127,655</b>	<b>140,400</b>	<b>342,784</b>

\* Liquid assets refer to cash, bank balances and short-term investments.

## KEY FIGURES

	<b>2001 Jan-Mar</b>	<b>2000 Jan-Mar</b>	<b>1999 Jan-Mar</b>	<b>2000 Jan-Dec</b>
Return on:				
- equity, %	-7.2	-5.4	4.8	-22.9
- capital employed, %	-7.2	-5.4	4.8	-23.1
- total capital, %	-6.5	-4.6	4.3	-20.5
Ave. no. of shares, 000s	8,288	6,655	6,596	7,472
No. of shares at end of period, 000s	8,288	6,655	6,596	8,288
Earnings per share, SEK	-4.18	-1.90	1.58	-11.29
Shareholders' equity per share, SEK	55.76	33.94	33.50	59.99
Cash flow per share after investments, SEK	-5.91	-3.00	1.07	-15.94
Earnings per share, SEK*	-3.90	-1.74	1.57	-10.72
Shareholders' equity per share, SEK*	60.92	39.78	39.42	64.01
Equity ratio, %	89.9	84.4	87.6	90.3

\*After full utilization of outstanding warrants.