



PRESS RELEASE, 7 July 2005

## MEDIVIR, INTERIM REPORT, 1 January – 30 June 2005

- A CD (candidate drug) was designated on the Cathepsin K project (osteoporosis) in May.
- BI (Boehringer Ingelheim) concluded its research collaboration with Medivir on the HIV compound MIV-310 (polymerase inhibitor) in March. Medivir has decided to prioritize its protease projects, and accordingly, the MIV-310 project will be dormant until further notice.
- Consolidated net sales were SEK 27.2 (12.5) m.
- The loss after tax was SEK -73.4 (-92.9) m; earnings per share were SEK -5.69 (-8.64).

### FOR MORE INFORMATION, PLEASE CONTACT

Rein Piir, CFO and VP, Investor Relations: +46 (0)70 853 7292.

### FORTHCOMING FINANCIAL INFORMATION

The Nine-month Interim Report will be published on 26 October 2005

The Financial Statement will be published on 16 February 2006

The Three-month Interim Report will be published on 26 April 2006

The Annual General Meeting will be on 26 April 2006, from 3 p.m.

Medivir's financial reports are available from its Website, [www.medivir.com](http://www.medivir.com) from these dates.

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### *The Medivir Group*

*Medivir is an innovative, specialist research corporation that develops drugs with the objective of becoming a sustaining, profitable pharmaceuticals corporation. Medivir is located in Huddinge, Sweden and at Chesterford Research Park, Essex, UK.*

*Medivir's research is oriented on developing new drug compounds based on polymerases and proteases as target enzymes. The group consists of Medivir AB, its subsidiary Medivir UK Ltd. and Medivir Personal AB. As of 30 June 2005, the group had 132 employees. Medivir was listed on the Stockholm Exchange O-list in 1996.*

*Medivir's research portfolio includes projects against HIV, jaundice, shingles, cold sores, osteoporosis, RA (rheumatoid arthritis), asthma and MS (multiple sclerosis). Medivir has five projects in clinical development phases, each with a unique clinical profile. The company's broad-based preclinical research portfolio houses six defined projects and nearly ten activities in various preclinical phases.*

*Medivir AB (publ), Lunastigen 7, SE-141 44 Huddinge, Sweden, tel (switchboard): +46 (0)8 546 83100*










## SIGNIFICANT EVENTS IN THE SECOND QUARTER






Cathepsin K—an orally active, low-molecular inhibitor of Cathepsin K was designated as a CD (candidate drug) in May; this is a project milestone that paves the way for towards clinical studies. Cathepsin K is an important protease (protein-destructive enzyme), whose activity regulates the resorption of skeletal tissue. The objective of the research program is to develop a drug that alleviates pathological skeletal resorption.

Clinical applications of these inhibitors are likely to encompass disorders like osteoporosis, RA (rheumatoid arthritis), arthrosis and skeletal metastases. Osteoporosis occurs because of an imbalance between skeletal formation and resorption. Tests in human cells indicate that inhibition of Cathepsin K obstruct this unbalance. There is an acute medical need across several disease areas to find new treatment principles capable of regulating or suppressing the resorption of bone. Osteoporosis is the second-largest health problem in the world, causing death, invalidity and generating major societal costs. The predominant treatment principles are currently biphosphonates and estrogen which do not give the desired balance between formation and resorption of bone.

The project is now entering the regulated preclinical development phase intended to file an IND (investigational new drug) application, with phase I studies as its next objective.

## MEDIVIR'S PROJECT PORTFOLIO AS OF Q2 2005

Explorative phase	Lead identification	Optimization phase	Preclinical development	IND	Phase I	Phase II	Phase III	NDA/IND
	Valomaciclovir (Shingles)							
	ME-609 (Labial herpes)							
	Alovudine (HIV)							
	MIV-210 (HIV)							
	MIV-150 (HIV)					Population Council		
	MV026048 (HIV)							
	Project A Cath S							
	Cath K (Osteoporosis)							
	MIV-170 (HIV)							
	Project B Cath S							
	HCV-prot (Hepatitis C)							
	HCV-pol (Hepatitis C)							
	COPD							
	Diabetes							
	Alzheimer							
	Protease							
	Other							

-  Polymerase inhibitor
-  Combination incl. polymerase inhibitor
-  Protease inhibitor
-  Polymerase and protease inhibitor
-  No in-house development

## **INFECTIOUS DISEASES**

**Valomaciclovir (RP-606)**—data from a phase IIb study on the **shingles** indication suggests that valomaciclovir is more effective than current therapies for alleviating the PHN (post-herpetic neuralgia, or chronic pain) occurring after shingles. This project is outlicensed to Reliant Pharmaceuticals, which is responsible for the development activities, whose objective is to demonstrate that RP-606 is effective against shingles and PHN.

Last autumn, Reliant initiated discussions with the FDA regarding the design of further studies to demonstrate a palpable effect on PHN optimally. The design of forthcoming studies is crucial, because a significant difference in efficacy against PHN over and above extant drugs might imply an opportunity to position valomaciclovir as first line therapy for treating shingles.

The FDA has proposed complementary phase II studies intended to test higher dosages to examine the optimal development strategies for future phase III studies fully. In consultation with the FDA, the ambition is to examine whether a combined phase II/III study could be a way forward.

**ME-609** is a project against oral herpes run by Medivir in-house. Phase II study data on the **labial herpes** (cold sores) indication demonstrates with early treatment start, ME-609 can prevent the incidence of cold sores and lesions. These results suggest that ME-609 is superior to extant drugs for treating cold sores. Medivir continued discussions with the FDA regarding study design and final endpoints. The next phase is a final meeting with the FDA ahead of phase III. In parallel with this process, Medivir is working to secure a partnership for the onward development of this project once discussions with the FDA conclude.

**Alovudine (MIV-310)** is a project developed to treat patients with multiresistant **HIV**, and has unique effect against a number of resistant strains.

In February, Boehringer Ingelheim concluded a clinical study on MIV-310 (alovudine) against HIV/AIDS. Although the studied dosages of MIV-310 demonstrated antiviral effect, this did not match BI's predetermined target level. Accordingly, BI resolved to conclude the development of this clinical CD, and terminated its agreement with Medivir in March.

The clinical phase II program comprised a four-week trial designed to corroborate MIV-310's expected safety and efficacy on patients with multiresistant HIV, which is hard to treat. At 2mg dosages, MIV-310 demonstrated antiviral efficacy comparable with drugs currently in clinical use, with no serious side-effects reported.

Medivir decided not to assign resources for MIV-310's onward development, but rather to focus on the protease inhibitor projects currently making major advances. Medivir's efforts on this project are now oriented on the technical transfer of documentation from BI to Medivir, and contacts with companies potentially interested in the project's onward development.

**MIV-210** is a project developed for treating **HIV and HBV** patients that have developed resistance to extant drugs. This year, Medivir will conduct a phase IIa study on HIV patients that have not responded to treatment as expected. The results of this study will offer guidance on MIV-210's efficacy for this patient group and will be the foundation for an assessment of the project's future market potential. Medivir intends to find a new partner for this project in parallel with the forthcoming clinical study.

**MIV-150** preclinical data demonstrates that MIV-150 has a pronounced effect against **HIV**. Medivir voluntarily donated the rights to MIV-150 for topical usage in a vaginal microbicide in developing countries to the Population Council, a New York-based non-profit organization. The Population Council is responsible for development and funding of forthcoming clinical studies. Medivir has retained rights to sales in other countries, and an option on exclusive rights to the Nordic market. Phase I studies are currently ongoing.

**MV026048—HIV protease inhibitor NNRTI** is in late preclinical development. Medivir concluded some selective research in the quarter, with the results being evaluated in-house. Roche has an opt-in on this project when this data is evaluated.

**HCV protease inhibitors**—Medivir has very rapidly developed several new types of highly potent inhibitors of viral **hepatitis C** protease, an enzyme essential to viral replication. In late 2004, Medivir outlicensed this project to Tibotec (Johnson & Johnson), which is now responsible for further development. Within the auspices of this agreement, Medivir receives funding for a considerable number of researchers that remain active on the project. Additional to this project financing, the agreement may raise a maximum of EUR 68.5 m for Medivir in various milestone payments, of which EUR 6.5 m was a down-payment on signing. Additionally, Medivir will receive royalties from global sales outside the Nordic region, where Medivir has retained all rights and intends to pursue sales in-house. The agreement also includes product rights to one drug with a defined product profile from the Johnson & Johnson group, at an agreed time.

The project, based on three mutually independent molecule series, is progressing briskly, using substantial shared resources. Johnson & Johnson held a Pharmaceutical R&D Day on 26 May 2005, where it announced the first collaborative substance having been designated for upscale, and that clinical phase I studies would begin in 2006.

**MIV-170 polymerase inhibitors**—this project is an example of an entirely new structural class of NNRTI compounds with very powerful resistance profile data. Compounds in the MIV-170 project are also intended as therapy for the growing patient population with multiresistant **HIV**. Two highly active inhibitors were identified last year; evaluation efforts in several test models to document safety and efficacy against the multiresistant virus are proceeding. After completing evaluation, Medivir intends to designate a CD to then seek a partner for ongoing project development at a suitable time.

**HCV polymerase inhibitors**—Medivir has a collaboration agreement with Roche to jointly develop a drug against chronic HCV (**hepatitis C** virus). Medivir will receive research contributions, milestone payments and royalties within the auspices of this collaboration, while Medivir also retains rights to the Nordic markets. This collaboration is based on the development of new compounds known as nucleoside analogues that inhibit hepatitis C virus polymerase, thereby preventing virus replication. Activities to identify and document new promising compounds continued in the quarter.

## **AUTOIMMUNE DISORDERS**

The Cathepsin S project (protease inhibitor) is intended for the treatment of **autoimmune disorders**. This project is being run alongside Peptimmune of the US, and is targeted on developing a new drug class for treating immunological disorders such as RA (rheumatoid arthritis), MS (multiple sclerosis) and allergies. There are currently two programs running within the framework of the Cathepsin S project. Program A is now in the regulated preclinical development phase and the goal is to file an IND (Investigational New Drug) application and proceed to clinical studies.

Program B, which was initiated and started optimization in spring 2004, is making rapid progress thanks to cumulative experience on the project. This may result in new CDs with differing physical chemistry characteristics and biological activity profiles for onward screening in the extensive autoimmune disorder segment.

## **SKELETAL DISORDERS**

**Cathepsin K** is a protease whose activity results in skeletal deterioration. **Osteoporosis** (brittle bones) arises coincident with increased Cathepsin K activity or an imbalance between skeletal formation and resorption. After less than two years in its optimization phase, a CD was designated on this project in May 2005. The goal is to develop a drug that reduces bone degradation and restore the balance between formation and resorption of bone. In disease models, it has been proven that the pathological resorption of bone can be radically reduced if Cathepsin K activity is suppressed. Medivir's inhibitor demonstrates powerful efficacy in a human cell-based model of bone resorption.

The project is now entering the regulated preclinical development phase intended to file an IND application, with phase I studies as its next objective. This phase involves a series of activities such as the synthesis of large-scale volumes of the compound, and safety studies that take some 12-18 months (industry average).

### **EXPLORATIVE ACTIVITIES**

Medivir's explorative activities, pursued in-house, in collaboration with partners or in a network of university collaborations, has nearly ten activities targeted at proteases. Explorative activities are in segments such as diabetes, COPD (chronic obstructive pulmonary disease), Alzheimer's disease and HIV. Additionally, identification of protease as new targets is underway via partners.

### **MEDIVIR'S CONSOLIDATED TURNOVER AND COSTS**

(Year-2004 comparative figures have been adjusted where applicable, pursuant to IFRS.)

#### **The Group**

Consolidated net sales, encompassing Medivir AB and Medivir UK Ltd., were SEK 27.2 (12.5) m. The sales are attributable to remuneration for research collaboration on HCV protease inhibitors from Tibotec Pharmaceuticals Ltd., and remuneration from Roche for an HCV polymerase inhibitor research collaboration. Operating costs were SEK -108.2 (-107.2) m, comprising external costs of SEK -45.9 (-51.1) m, Personnel costs of SEK -52.0 (-48.2) m and depreciation and amortization of SEK -10.3 (-7.9) m. The operating loss was SEK -80.5 (-94.1) m, the net financial position was SEK 6.9 (1.0) m and the profit after financial items was SEK -73.6 (-93.1) m.

#### **Medivir AB, Corporate Identity No. 556238-4361, Parent Company**

Medivir AB's business comprises research operations and group-wide administrative functions. In the period, parent company net sales amounted to SEK 29.7 (11.6) m, and as stated above, primarily comprised remuneration for research collaboration on HCV protease inhibitors from Tibotec Pharmaceuticals Ltd. and remuneration from Roche for the HCV polymerase inhibitor research collaboration.

Operating costs were SEK -101.6 (-97.3) m, comprising external costs of SEK -59.9 (-60.3) m, Personnel costs of SEK -36.2 (-32.6) m and depreciation and amortization of SEK -5.4 (-4.4) m. The external costs item includes SEK -28.1 (-30.7) m of remuneration to Medivir UK for contracted preclinical research conducted at Chesterford Research Park. These costs are on market terms.

Operating profit was SEK -71.4 (-85.1) m and profit after financial items, and profit after tax, were SEK -69.4 (-91.0) m. Profit includes a cost related to covering Medivir UK's losses of SEK -5.8 (-7.0) m. Liquid assets including short-term investments with a maximum maturity of three months were SEK 346.2 (396.8) m. Medivir's total value of liquid assets and short-term investments is SEK 371.2 (456.8) m. Investments, primarily in research equipment and existing research premises, were SEK 8.0 (5.4) m.

#### **Financial Position**

Consolidated liquid assets including short-term investments with a maximum maturity of three months stood at SEK 346.9 (404.8) m. The group's total value of liquid assets and short-term investments is SEK 371.9 (464.8) m. As of 30 June, interest-bearing liabilities were SEK 23.5 (3.6) m. Shareholders' equity was SEK 409.0 (497.7) m; the consolidated equity ratio was 84.0 (90.4)%.

#### **Investments**

Gross investments in consolidated intangible and tangible fixed assets amounted to SEK 12.4 (16.7) m in the period, mainly in research equipment and existing research premises.

Medivir's future investments primarily comprise the acquisition of further research equipment.

### **The Share and Stock Options**

There are a total of 12,902,611 outstanding shares, comprising 660,000 class A and 12,242,611 class B shares. Previous staff stock option plans from 2001 and 2002 have been recalculated due to the new issue in 2004. The AGM (Annual General Meeting) on 21 April 2005 approved a new staff stock option plan encompassing 280,000 options for subscription for class B shares, of which some 220,000 options will be apportioned to the group's employees, and the remainder retained in a cash flow hedge to cover expenses for social security costs. There term is 2005 to 31 December 2010, with each staff stock option exercisable to acquire one class B Medivir AB share against the payment of an exercise price of SEK 87 through the agency of subsidiary Medivir Personal AB. After two years, employees can convert one-third of their apportioned options, and one-third in each subsequent year.

The staff stock option plan of 2000/2005, encompassing 39,900 options, matured on 30 June without any conversion occurring.

This means that in total, the number of outstanding options is 886,995, and upon full conversion, the total number of shares would be 13,829,306.

## **ACCOUNTING PRINCIPLES**

### **The Group**

As of 1 January 2005, Medivir transferred to adopting IFRS for its consolidated financial statements, which means that from the first quarter 2005 onwards, Medivir will adopt all the IAS, IFRS, IFRIC and SICs prevailing at any given time, and which are applicable to Medivir as a quoted company in Sweden, in its consolidated financial statements. Apart from the aforementioned IFRS, the group also observes RR's (Redovisningsrådet, the Swedish Financial Accounting Standards Council) recommendations RR 30 (complementary accounting standards for corporate groups) and RR 31 (interim reporting for corporate groups) and applicable RR Emerging Issues Task Force statements.

Thus, the Interim Report has been prepared pursuant to IAS 34 Interim Financial Reporting, which in itself, did not imply any differences in the format or scope compared to RR 20 on interim reporting. The revised principles that occur compared to the Annual Report for 2004 are disclosed under the title 'Revised Principles Due to the Adoption of IFRS' below.

### **Parent Company**

In its accounting, Medivir AB is continuing with those principles applying to legal entities that prepare consolidated financial statements and are quoted on a stock exchange. Briefly, this implies the continued adoption of RR's recommendations where they are applicable to the parent company of a group. From 1 January 2005 onwards, Medivir AB will observe RR's recommendation RR 32 (accounting of legal entities) that replaces the previous RR 1-29. In this context, the adoption of IFRS does not imply that the parent company's principles change for 2004, and accordingly, there has been no need to recalculate comparative figures, which remained the same as in the Annual Report for 2004.

Due to the advance adoption of RR 32 in 2005, a revised principle arises in the parent company's accounting. Because, pursuant to RR 32, the parent company must structure its reports consistent with all applicable IFRS/IAS, unless the recommendation permits an exception from adoption, market values of short-term investments will be disclosed. These have been disclosed in the Annual Report for 2004, at the lower of cost or market. Because the Swedish Annual Accounts Act allows value changes in a period to be accounted in the Income Statement, and because additionally, this is the principle selected for the group's accounting pursuant to IAS 39, Medivir AB will utilize the same principles as the group in this context. More information under the IAS 39 heading below.

## **Revised Principles Due to the Adoption of IFRS**

The following reviews the revised principles, and resulting effects, that arise when Medivir modified its accounting to the regulatory structure stipulated by the IASB (International Accounting Standards Board). The recommendations that caused revised principles compared to the Annual Report for 2004 are considered under separate headings. For other principles, that do not change upon adoption, the reader is referred to the accounting principles section of the Annual Report. It should be noted that the calculated effects of the adoption of IFRS on comparative figures for 2004 are preliminary, because this regulatory structure may alter in 2005.

### **IFRS 1**

Pursuant to IFRS 1, which stipulates how companies should act on first-time adoption of the IASB's recommendations, retroactive adoption of recommendations has been implemented to the extent required by IFRS 1.

The option of recalculating previous acquisitions pursuant to **IFRS 3** has been utilized. Such adoption implies that IAS 36 and IAS 38 (updated 2004) should also be applied retroactively. This has resulted in the reclassification of previously accounted goodwill related to the acquisition of Medivir UK in 2000, to acquired research and development. The depreciation term as of the acquisition date, and utilizing the then assessed useful life, was set at ten years. Because this term is the same as for previously accounted goodwill, this does not imply any change to depreciation and amortization costs compared to previously.

For **IAS 39**, the option to adopt this recommendation in 2004 has not been utilized. Therefore, the revised principle regarding the valuation of financial instruments occurs as of 1 January 2005. More information is below under the IAS 39 heading.

Apart from the above choices, Medivir has reset accumulated **exchange rate differences** to zero as of 1 January 2004.

As for the recalculated balance sheet as of 1 January 2004, Medivir has chosen to utilize its previous **cost values**, rather than using any actual valuation of tangible or intangible assets. The principle of cost value accounting with linear depreciation over assessed useful lives will remain in use.

### **IFRS 2**

Medivir accounts its staff stock option plans pursuant to IFRS 2. To applicable extent, this has also been applied retroactively to those plans within the time interval of the transference rules of IFRS 2. Medivir has not adopted IFRS 2 for earlier plans from 2000 and 2001.

This standard means that in contrast to previously, upon issuance, Medivir values the relevant plan (currently the two plans 2002/2007 and 2004/2009) at market value at issuance, then allocating the value over the accrual period as a personnel cost. This remuneration to staff means that Medivir issues its own financial instruments (warrants that staff possess rights to through agreements in the plans), and accordingly, for each period's costs, receives the corresponding increase to restricted equity.

Pursuant to previous principles, the stock option plans themselves do not imply any Personnel costs for Medivir, apart from the provisioning for social security costs on the benefits accrued by staff. This accounting is apparent in the Annual Report for 2004.

### **IAS 7**

Pursuant to IAS 7, the definition of liquid assets has been changed from previously, and has also been applied retroactively for 2004. The new definition is stated in notes to the Cash Flow Statement.

## **IAS 19**

Medivir adopted RR 29 Employee Benefits from 1 January 2004 onwards. Medivir AB's ITP (supplementary pensions for salaried employees) scheme is underwritten by Alecta, and should be considered a defined-benefit pension scheme, pursuant to statement URA 42 from RR's Emerging Issues Task Force. Because Alecta is not able to publish sufficient information, this scheme is currently accounted as if it was a defined-contribution scheme. The group's other pension schemes are defined-contribution.

The previous adoption of RR 29, which in this case, corresponds to IAS in principle terms for Medivir, and the aforementioned shortage of information from Alecta, accordingly implied that no change has been made to Medivir's accounting of pension commitments compared to the Annual Report for 2004.

## **IAS 39**

Medivir is adopting IAS 39 in its consolidated financial statements from 1 January 2005 onwards. Medivir has selected the principle of accounting the actual value changes of all its short-term investments in the Income Statement. The revised principle of the market valuation of short-term investments, which also applies to parent company accounting, did not generate any deferred tax effect as of 1 January 2005, because offset is considered possible against the accumulated tax-deductible loss carry-forwards within Medivir AB.

## **Opening Balance as of 1 January 2004**

The effects of principles affecting the opening balance of IFRS are as follows:

- The opening balance has been affected by the adoption of IFRS 3 to the extent that after a recalculated acquisition analysis of Medivir UK, consolidated intangible assets comprise acquired research and development. Previously, the intangible asset comprised goodwill.
- The balance sheet item 'acquired research and development', identified in the recalculated acquisition, has given rise to a deferred tax effect, implying that a deferred tax liability of SEK 3.0 m is accounted in the opening balance, and that the corresponding amount affected the accumulated deficit negatively.
- The adoption of IFRS 2 on staff stock option plans implies an opening balance effect of SEK 0.6 m on shareholders' equity as of 1 January 2004, accounted as an increase of consolidated restricted equity and the corresponding increase of the accumulated deficit; more information in Appendix 1.
- As reviewed above, exchange rate differences have been reset to zero.

For a comprehensive quantitative disclosure of opening balances as of 1 January 2004 and recalculated closing balances as of 31 December 2004, readers are referred to Appendices 1, 5, 6 and 7 of Medivir's Interim Report for 1 January - 31 March 2005.

## **Quantitative Effects on Comparative Figures for the Period January-June and the Quarter April-June 2004 Resulting from the Adoption of IFRS**

IFRS stipulate that on the adoption of IFRS on 1 January 2005, comparative figures for corresponding periods in 2004 should be recalculated. For the Medivir group, this has the following effects:

### **Period January – June 2004**

- At the adoption of IFRS 2, the effect in January - June 2004 is Personnel costs increasing by SEK 0.6 m, and the same increase to restricted equity. More information in Appendices 1 and 3.
- The adoption of IFRS 3 on the acquisition analysis of Medivir UK in 2000 has given rise to Medivir's consolidated financial statements accounting the acquisition of research and development from Medivir UK of SEK 9.9 m, instead of the previously accounted goodwill of the same amount.
- The deferred tax liability attributable to the acquired R&D stated above reduces by SEK 0.2 m in the period and gives rise to the corresponding amount as a deferred tax asset in the Income Statement.

- The Cash Flow Statement's comparative figures have been converted pursuant to the definition of liquid assets stated in IAS 7. For January - June 2004, this means that liquid assets reduced by SEK 60.0 m.

#### **Quarter April – June 2004**

- Because of the adoption of IFRS 2, Personnel costs for April-June 2004 increased by SEK 0.4 m and restricted equity increased by the corresponding amount.
- The quarter was also affected by an SEK 0.1 m differed tax receivable and the deferred tax liability reduced by the corresponding amount.

#### **Quantitative Effects Accounted in the Period January-June 2005 Due to the New Principles**

- In January-June 2005, the adoption of IFRS 2 implied Personnel costs increasing by SEK 0.8 m and the same increase to restricted equity.
- A deferred tax asset of SEK 0.2 m due to the adoption of IFRS 3 is accounted, and the deferred tax liability reduces by the same amount.
- The adoption of IAS 39 on 1 January 2005 generated an SEK 1.5 m effect implying an increase to the value of short-term investments and a reduction of the accumulated deficit. The effect of the revised principle on the opening balance of year-2005 shareholders' equity is disclosed in the shareholders' equity statement for the period. A comprehensive statement of the transitional effects resulting from IAS 39 is provided in note A on the Income Statement of the quarterly report for the previous period, January-March 2005.
- Income Statement effects from the adoption of IAS 39 in January - June 2005 amount to SEK 5.8 m.

#### **OUTLOOK**

Medivir's ability to produce new CDs, to enter partnerships on its projects, and to bring its clinical development projects to market launches and sales, is decisive to its future. The progress of existing partnerships and securing new partnerships may exert a major influence on Medivir's revenues and cash position, although scheduling revenue flows is impossible. Medivir's estimated net research costs are SEK 165 m for 2005.

The Board  
Medivir

Huddinge, Sweden, 7 July 2005.

#### **Audit Report**

We have performed a summary review of this Interim Report pursuant to the relevant recommendation issued by FAR (the Institute for the Accountancy Profession in Sweden). A summary review is far more limited than a full audit. Nothing has arisen to suggest that this Interim Report does not satisfy the stipulations of the Swedish Stock Exchange and Annual Accounts Acts.

Liselott Stenudd  
Authorised Public Accountant

Peter Clemedtson  
Authorised Public Accountant

Stockholm, Sweden, 7 July 2005.

## **CONTENTS--TABLES**

<b>Consolidated Income Statement, January-June 2005</b>	<b>page 11</b>
<b>Consolidated Income Statement, April-June 2005</b>	<b>page 12</b>
<b>Consolidated Balance Sheet incl. Statement of Changes in Shareholders' Equity</b>	<b>page 13</b>
<b>Consolidated Cash Flow Statement, January-June 2005</b>	<b>page 14</b>
<b>Key Figures</b>	<b>page 15</b>
<b>Appendix 1, Adjustment of Income Statement, Jan-Jun 2004 Pursuant to IFRS</b>	<b>page 16</b>
<b>Appendix 2, Adjustment of Income Statement, April-June 2004</b>	<b>page 17</b>
<b>Appendix 3, Adjustment of Balance Sheet, 30 June 2004 Pursuant to IFRS incl. Statement of Changes in Shareholders' Equity, 30 June 2004</b>	<b>page 18</b>
<b>Appendix 4, Adjustment of Cash Flow Statement Jan-Jun 2004 Pursuant to IFRS</b>	<b>page 19</b>

<b>CONSOLIDATED INCOME STATEMENT</b>					
<b>Summary, SEK m</b>					
	<b>2005 Jan-Jun</b>	<b>Adj. for IFRS 2004 Jan-Jun</b>	<b>Not Adj. for IFRS 2003 Jan-Jun</b>	<b>Adj. for IFRS 2004 Jan-Dec</b>	<b>Note/Appendix</b>
<b>Turnover, etc.</b>					
Net sales	27.2	12.5	138.6	82.6	
Change in inventories and other revenue	0.5	0.6	2.4	2.5	
<b>Total</b>	<b>27.7</b>	<b>13.1</b>	<b>141.0</b>	<b>85.1</b>	
<b>Operating costs</b>					
Raw materials and consumables	0.0	0.0	-33.6	0.0	
Other external costs	-45.9	-51.1	-59.8	-99.1	
Personnel costs	-52.0	-48.2	-68.8	-95.7	App. 1
Depreciation and amortization	-10.3	-7.9	-12.4	-16.6	
<b>Total operating costs</b>	<b>-108.2</b>	<b>-107.2</b>	<b>-174.6</b>	<b>-211.4</b>	
<b>Operating profit</b>	<b>-80.5</b>	<b>-94.1</b>	<b>-33.6</b>	<b>-126.3</b>	
Profit from financial investments	6.9	1.0	0.3	12.3	
<b>Profit after financial items</b>	<b>-73.6</b>	<b>-93.1</b>	<b>-33.3</b>	<b>-114.0</b>	
Tax	0.2	0.2	0.0	2.5	A) App. 1
<b>Net profit</b>	<b>-73.4</b>	<b>-92.9</b>	<b>-33.3</b>	<b>-111.5</b>	
Earnings per share, SEK	-5.69	-8.64	-3.88	-10.38	
Average number of shares, 000	12,903	10,745	8,590	10,746	
Number of shares, closing balance, 000	12,903	12,899	8,590	12,903	

A)

The positive tax amount as of 31 December 2004 is mainly attributable to Medivir UK's tax credits, a consequence of UK fiscal legislative support for research.

The group has estimated accrued tax-deductible losses of at least SEK 540 m until 2004 inclusive.

<b>CONSOLIDATED INCOME STATEMENT</b>				
<b>Summary, SEK m</b>				
	<b>2005 Apr-Jun</b>	<b>Adj. for IFRS 2004 Apr-Jun</b>	<b>Not Adj. for IFRS 2003 Apr-Jun</b>	<b>Note/Appendix</b>
<b>Turnover, etc.</b>				
Net sales	13.5	7.6	95.2	
Change in inventories and other revenue	0.5	0.4	1.5	
<b>Total</b>	<b>14.0</b>	<b>8.1</b>	<b>96.7</b>	
<b>Operating costs</b>				
Raw materials and consumables	0.0	0.0	-17.4	
Other external costs	-23.4	-26.6	-29.4	
Personnel costs	-26.9	-25.6	-38.5	App. 2
Depreciation and amortization	-5.3	-3.9	-6.1	
<b>Total operating costs</b>	<b>-55.5</b>	<b>-56.1</b>	<b>-91.4</b>	
<b>Operating profit</b>	<b>-41.6</b>	<b>-48.0</b>	<b>5.3</b>	
Profit from financial investments	4.3	0.4	0.0	
<b>Profit after financial items</b>	<b>-37.3</b>	<b>-47.6</b>	<b>5.3</b>	
Tax	0.1	0.1	0.0	App. 2
<b>Net profit</b>	<b>-37.2</b>	<b>-47.5</b>	<b>5.3</b>	

<b>CONSOLIDATED BALANCE SHEET</b>					
<b>Summary, SEK m</b>					
	<b>2005</b>	<b>Adj. for</b>	<b>Not Adj.</b>	<b>Adj. for</b>	
	<b>30 June</b>	<b>IFRS 2004</b>	<b>for IFRS</b>	<b>IFRS</b>	
		<b>30 June</b>	<b>2003</b>	<b>2004</b>	<b>Note/Appendix</b>
			<b>30 June</b>	<b>31 Dec</b>	
<b>Assets</b>					
<b>Fixed assets</b>					
Intangible fixed assets	10.1	9.9	35.3	10.9	
Tangible fixed assets	88.0	50.6	104.0	80.7	
Financial fixed assets	0.0	3.1	3.1	0.0	
<b>Total fixed assets</b>	<b>98.1</b>	<b>63.6</b>	<b>142.4</b>	<b>91.7</b>	
<b>Current assets</b>					
Inventories	0.0	0.0	37.2	0.0	
Current receivables	16.7	21.9	37.8	24.3	
Short-term investments	349.9	373.0	108.8	419.6	
Cash and bank balances	22.0	91.8	22.3	21.0	
<b>Total current assets</b>	<b>388.7</b>	<b>486.8</b>	<b>206.1</b>	<b>464.9</b>	
<b>Total assets</b>	<b>486.8</b>	<b>550.3</b>	<b>348.5</b>	<b>556.6</b>	
<b>Liabilities and shareholders' equity</b>					
Restricted equity	863.2	867.4	582.8	862.5	App. 3
Accumulated deficit	-454.2	-369.7	-297.7	-386.8	App. 3
<b>Total shareholders' equity</b>	<b>409.0</b>	<b>497.7</b>	<b>285.1</b>	<b>475.7</b>	
Long-term liabilities, interest-bearing	14.3	3.6	3.7	18.7	
Long-term liabilities, non interest-bearing	2.3	2.7	3.7	2.5	App. 3
Current liabilities, interest-bearing	9.2	0.0	0.0	9.2	
Current liabilities, non interest-bearing	52.0	46.3	56.0	50.5	
<b>Total liabilities and shareholders' equity</b>	<b>486.8</b>	<b>550.3</b>	<b>348.5</b>	<b>556.6</b>	
<b>Pledged assets</b>					
Pledged short-term investments	10.3	0.0	0.0	12.6	
Property mortgages	0.0	0.0	3.0	0.0	

<b>STATEMENT OF CHANGES TO</b>				
<b>SHAREHOLDERS' EQUITY</b>				
<b>SEK m</b>				
	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>
	<b>Jan-Jun</b>	<b>Jan-Jun</b>	<b>Jan-Jun</b>	<b>Jan-Dec</b>
Opening balance, 1 January	475.7	277.8	320.0	277.8
Effect of revised principle, 1 January	1.5	-3.0		-3.0
Staff stock option plans: value of staff service	0.8	0.6		1.4
New issue		313.8		313.6
Exchange rate differences	4.3	1.3	-1.6	-2.6
Net profit	-73.4	-92.9	-33.3	-111.5
<b>Closing balance for the period</b>	<b>409.0</b>	<b>497.7</b>	<b>285.1</b>	<b>475.7</b>

<b>CONSOLIDATED CASHFLOW STATEMENT</b> <b>Summary, SEK m</b>	<b>2005</b> <b>Jan-Jun</b>	<b>Adj. for</b> <b>IFRS 2004</b> <b>Jan-Jun</b>	<b>Not Adj.</b> <b>for IFRS</b> <b>2003</b> <b>Jan-Jun</b>	<b>Adj. for</b> <b>IFRS</b> <b>2004</b> <b>Jan-Dec</b>	<b>Note/</b> <b>Appendix</b>
<b>Ongoing operations</b>					
Operating profit after financial items	-73.6	-93.1	-33.3	-114.0	App. 4
Estimated subsidiary tax credit	0.0	0.0	0.0	2.0	
Adjustment for items not included in cash flow:					
Depreciation, amortization and write-downs	10.3	7.9	12.4	17.9	
Capital gain/loss on divestment of fixed assets and exchange rate difference	0.2	0.3	-0.6	-7.9	
Tax paid/received	-0.8	-0.7	1.0	-1.4	
Effect of adoption of IFRS	2.3	0.6	0.0	1.4	App. 4
<b>Cash flow from ongoing operations before</b> <b>Change in working capital</b>	<b>-61.6</b>	<b>-85.0</b>	<b>-20.5</b>	<b>-102.0</b>	
Change in working capital	9.9	13.1	14.6	16.6	
<b>Cash flow from ongoing operations</b>	<b>-51.7</b>	<b>-71.9</b>	<b>-5.9</b>	<b>-85.5</b>	
<b>Investment activity</b>					
Acquisition/divestment of tangible fixed assets	-12.1	-16.7	-6.0	-55.4	
Acquisition of intangible fixed assets	-0.3	0.0	0.0	-1.9	
Sales of financial fixed assets	0.0	0.0	0.0	6.0	
<b>Cash flow from investment activity</b>	<b>-12.4</b>	<b>-16.7</b>	<b>-6.0</b>	<b>-51.3</b>	
<b>Financing activity</b>					
New issue	0.0	313.8	0.0	313.6	
Loans raised	0.0	0.2	0.0	27.5	
Amortization	-4.6	0.0	-0.8	-3.0	
<b>Cash flow from financing activity</b>	<b>-4.6</b>	<b>314.0</b>	<b>-0.8</b>	<b>338.1</b>	
<b>Cash flow for the period</b>					
Liquid assets, opening balance	440.6	239.2	143.9	239.2	A
Change in liquid assets	-68.7	225.4	-12.7	201.4	
Exchange rate difference, liquid assets	0.0	0.2	-0.1	0.0	
Reclassification between short-term investments and liquid assets	-25.0	-60.0	0.0	-100.9	B, App. 4
<b>Liquid assets, closing balance</b>	<b>346.9</b>	<b>404.8</b>	<b>131.1</b>	<b>339.6</b>	C
A) Liquid assets comprised cash and bank balances, plus short-term investments until 31 December 2003 inclusive.					
B) Short-term investments with maturities of more than 3 months have been reclassified in the Cash Flow Statement.					
C) From 1 January 2004, liquid assets comprise cash and bank balances and short-term investments with maximum maturity of 3 months.					

Surplus value of listed assets, of SEK 1.5 m (at 31 Dec. 2004) is additional to the above.

For the loan of SEK 20.6 m as of 30 Jun. 2005 Medivir AB raised, the company has pledged short-term investments of SEK 10.3 m as collateral.

<b>KEY FIGURES</b>	<b>2005 Jan-Jun</b>	<b>Adj. for IFRS 2004 Jan-Jun</b>	<b>Not Adj. for IFRS 2003 Jan-Jun</b>	<b>Adj. for IFRS 2004 Jan-Dec</b>	<b>Note/ Appendix</b>
<b>Return on:</b>					
- equity, %	-16.59	-24.05	-11.01	-29.72	
- capital employed, %	-15.59	-23.87	-10.70	-28.95	
- total capital, %	-13.98	-21.68	-9.13	-26.18	
Average number of shares, 000	12,903	10,745	8,590	10,746	
Number of shares, closing balance, 000	12,903	12,899	8,590	12,903	
Outstanding warrants, 000	887.0	650.1	513.4	646.9	
Earnings per share, SEK	-5.69	-8.64	-3.88	-10.38	
Shareholders' equity per share, SEK	31.70	38.58	33.20	36.87	
Cash flow per share after investments, SEK	-4.96	-8.24	-1.39	-12.72	
Earnings per share, SEK	-5.20	-8.01	-3.53	-9.52	A, B
Shareholders' equity per share, SEK	35.86	41.86	38.49	40.66	A, B
Equity ratio, %	84.01	90.43	81.81	85.46	

For forecast year-2005 earnings per share, please refer to the 'Outlook' heading in the section on Medivir's consolidated turnover and costs.

A) After full utilization of outstanding warrants.

IAS 33 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 stock options. Thus, the above should not be considered a calculation of dilution effects but a theoretical calculation of earnings and shareholders' equity per share, after the full exercise of outstanding warrants.

B) Previous stock option plans from 2001 and 2002 have been recalculated due to the new issue consummated in June 2004. Warrants from these plans confer the rights to conversion of 1.10 shares per stock option, and the exercise price has been recalculated.

<b>APPENDIX 1</b>				
<b>ADJUSTMENT OF INCOME STATEMENT, JANUARY-JUNE 2004 PURSUANT TO IFRS</b>				
<b>CONSOLIDATED INCOME STATEMENT</b>				
<b>Summary, SEK m</b>				
	<b>Original Income Statement, Jan- Jun 2004</b>	<b>Adjustment, Jan-Jun 2004</b>	<b>Adj. Income Statement for IFRS, Jan-Jun 2004</b>	<b>Note</b>
<b>Turnover, etc.</b>				
Net sales	12.5		12.5	
Change in inventories and other revenue	0.6		0.6	
<b>Total</b>	<b>13.1</b>	<b>0.0</b>	<b>13.1</b>	
<b>Operating costs</b>				
Other external costs	-51.1		-51.1	
Personnel costs	-47.7	-0.6	-48.2	A
Depreciation and amortization	-7.9		-7.9	
<b>Total operating costs</b>	<b>-106.7</b>	<b>-0.6</b>	<b>-107.2</b>	
<b>Operating profit</b>	<b>-93.6</b>	<b>-0.6</b>	<b>-94.1</b>	
Profit from financial investments	1.0		1.0	
<b>Profit after financial items</b>	<b>-92.6</b>	<b>-0.6</b>	<b>-93.1</b>	
Tax	0.0	0.2	0.2	B
<b>Net profit</b>	<b>-92.6</b>	<b>-0.4</b>	<b>-92.9</b>	
Earnings per share, SEK	-8.61		-8.64	
Average number of shares, 000	10,745		10,745	
Number of shares, closing balance, 000	12,899		12,899	
A) Calculated personnel cost for staff stock option plans				
B) Reduction of deferred tax liability for acquired R&D				

**APPENDIX 2**  
**ADJUSTMENT OF INCOME STATEMENT, APRIL-JUNE 2004 PURSUANT TO IFRS**  
**CONSOLIDATED INCOME STATEMENT**  
**Summary, SEK 000**

	Original Income Statement, Apr-Jun 2004	Adjustment, Apr-Jun 2004	Adj. Income Statement for IFRS, Apr-Jun 2004	Note
<b>Turnover, etc.</b>				
Net sales	7.6		7.6	
Change in inventories and other revenue	0.4		0.4	
<b>Total</b>	<b>8.1</b>	<b>0.0</b>	<b>8.1</b>	
<b>Operating costs</b>				
Other external costs	-26.6		-26.6	
Personnel costs	-25.2	-0.4	-25.6	A
Depreciation and amortization	-3.9		-3.9	
<b>Total operating costs</b>	<b>-55.7</b>	<b>-0.4</b>	<b>-56.1</b>	
<b>Operating profit</b>	<b>-47.6</b>	<b>-0.4</b>	<b>-48.0</b>	
Profit from financial investments				
<b>Total Profit from financial investments</b>	<b>0.4</b>	<b>0.0</b>	<b>0.4</b>	
<b>Profit after financial items</b>	<b>-47.2</b>	<b>-0.4</b>	<b>-47.6</b>	
Tax	0.0	0.1	0.1	B
<b>Net profit</b>	<b>-47.2</b>	<b>-0.3</b>	<b>-47.5</b>	

A) Calculated personnel cost for staff stock option plans  
B) Reduction of deferred tax liability for acquired R&D

**APPENDIX 3**  
**ADJUSTMENT OF BALANCE SHEET, 30 JUNE 2004 PURSUANT TO IFRS**  
**CONSOLIDATED BALANCE SHEET**  
**Summary, SEK m**

	<b>Original Balance Sheet 30 Jun. 2004</b>	<b>Adjustment</b>	<b>Recalculated Balance Sheet for IFRS, 30 Jun. 2004</b>	<b>Note</b>
<b>Assets</b>				
<b>Fixed assets</b>				
Intangible fixed assets	9.9		9.9	
Tangible fixed assets	50.6		50.6	
Financial fixed assets	3.1		3.1	
<b>Total fixed assets</b>	<b>63.6</b>	<b>0.0</b>	<b>63.6</b>	
<b>Current assets</b>				
Current receivables	22.0		22.0	
Short-term investments	373.0		373.0	
Cash and bank balances	91.8		91.8	
<b>Total current assets</b>	<b>486.8</b>	<b>0.0</b>	<b>486.8</b>	
<b>Total assets</b>	<b>550.3</b>	<b>0.0</b>	<b>550.3</b>	
<b>Liabilities and shareholders' equity</b>				
Restricted equity	866.2	1.2	867.4	A
Accumulated deficit	-365.8	-3.9	-369.7	A, B
<b>Total shareholders' equity</b>	<b>500.4</b>	<b>-2.7</b>	<b>497.7</b>	
Long-term liabilities, interest-bearing	3.6		3.6	
Long-term liabilities, non interest-bearing	0.0	2.7	2.7	B
Current liabilities	46.3		46.3	
<b>Total liabilities and shareholders' equity</b>	<b>550.3</b>	<b>0.0</b>	<b>550.3</b>	

A) Calculated personnel cost for staff stock option plans  
B) Reduction of deferred tax liability for acquired R&D

**STATEMENT OF CHANGES TO SHAREHOLDERS' EQUITY, SEK m, RECALCULATED AS OF 30 JUNE 2004**

	<b>Restricted Equity</b>	<b>Accumulated Deficit</b>	<b>Total Shareholders' Equity</b>
<b>Adopted Balance Sheet, 30 Jun. 2004</b>	866.2	-365.8	500.4
<b>Effect of revised principle on opening balance</b>			
Effect of revised accounting principle, staff stock option plans	0.6	-0.6	0.0
Effect of revised accounting principle, deferred tax liability		-3.0	-3.0
<b>Effect of adoption of IFRS in Q1 and Q2</b>			
Staff stock option plans: value of staff service	0.6	-0.6	0.0
Deferred tax on acquired R&D		0.2	0.2
<b>Adjusted Balance Sheet, 30 Jun. 2004</b>	<b>867.4</b>	<b>-369.7</b>	<b>497.7</b>

**APPENDIX 4  
ADJUSTMENT AV CASH FLOW STATEMENT, JANUARI-JUNE 2004 PURSUANT TO IFRS**

**CONSOLIDATED CASH FLOW STATEMENT  
Summary, SEK m**

	<b>Orig. Cash Flow, Jan-Jun 2004</b>	<b>Adjustment, Jan-Jun 2004</b>	<b>Adj. Cash Flow for IFRS, Jan-Jun 2004</b>	<b>Note</b>
<b>Ongoing operations</b>				
Operating profit after financial items	-92.5	-0.6	-93.1	
Adjustment for items not included in cash flow:				
Depreciation, amortization and write-downs	7.9		7.9	
Exch. rate diff. and capital gain/loss on divestment of fixed assets	0.3		0.3	
Tax paid/received	-0.7		-0.7	
Calculated personnel cost, staff stock option plans	0.0	0.6	0.6	
<b>Cash flow from ongoing operations before change in working capital</b>	<b>-85.0</b>	<b>0.0</b>	<b>-85.0</b>	
Change in working capital	13.1		13.1	
<b>Cash flow from ongoing operations</b>	<b>-71.9</b>	<b>0.0</b>	<b>-71.9</b>	
<b>Investment activity</b>				
Acquisition/divestment of tangible fixed assets	-16.7		-16.7	
<b>Cash flow from investment activity</b>	<b>-16.7</b>	<b>0.0</b>	<b>-16.7</b>	
<b>Financing activity</b>				
New issue	313.8		313.8	
Loans raised	0.2		0.2	
<b>Cash flow from financing activity</b>	<b>314.0</b>	<b>0.0</b>	<b>314.0</b>	
<b>Cash flow for the period</b>				
Liquid assets, opening balance	239.2	0.0	239.2	
Change in liquid assets	225.4	0.0	225.4	A
Exchange rate difference, liquid assets	0.2	0.0	0.2	
Reclassification between short-term investments and liquid assets	0.0	-60.0	-60.0	B
<b>Liquid assets, closing balance pursuant to IAS 7</b>	<b>464.8</b>	<b>-60.0</b>	<b>404.8</b>	C

A) Liquid assets comprised cash and bank balances, plus short-term investments until 31 Dec. 2003 inclusive.

B) SEK 60 m of short-term investments have maturities of more than 3 months and have been reclassified in the Cash Flow Statement.

C) From 1 January 2004, liquid assets comprise cash and bank balances and short-term investments with maximum maturity of 3 months.