



Financial Statement, 1 January – 31 December 2000

- Profit after financial items was SEK -85.4 (21.3) m; net turnover decreased to SEK 110.4 (189.4) m.
- CCS' sales grew 10.6% to SEK 77.7 m, operating profit grew by 56% to SEK 15.0 (9.4) m.
- In March, Medivir acquired research enterprise Mimetrix of Cambridge, now Medivir UK. Operations have been completely integrated since summer 2000.
- In March, Medivir effected a SEK 296 m new share issue.
- Phase II trials of ME-609 against oral herpes were completed with favorable results. The collaboration with AstraZeneca was concluded, with Medivir taking over product and patent rights. AstraZeneca will obtain a portion of future income.
- Negotiations regarding out-licensing and phase III trials of anti-shingles agent MIV-606 are underway with several interested parties.
- Medivir received permission to begin phase I trials on MIV-210 against hepatitis B (jaundice) in December; trials have begun.
- New MIV-150 formulations with improved bioavailability have been developed during the year.

Forthcoming Reports in 2001

The Annual General Meeting will be on 28 March
The three-month Interim Report will be published on 10 May.
The six-month Interim Report will be published on 6 July.
The nine-month Interim Report will be published on 30 October.

These Reports will be available on Medivir's Website www.medivir.se on these dates under the heading 'Financial Information'. The complete Annual Report will be available from Medivir's offices at Lunastigen 7, Huddinge, Sweden in mid-March, and distributed to shareholders simultaneously.

The Medivir group

The group comprises Medivir AB, the subsidiaries Medivir UK Ltd. and CCS AB, plus second-tier subsidiary CCS (UK) Ltd.

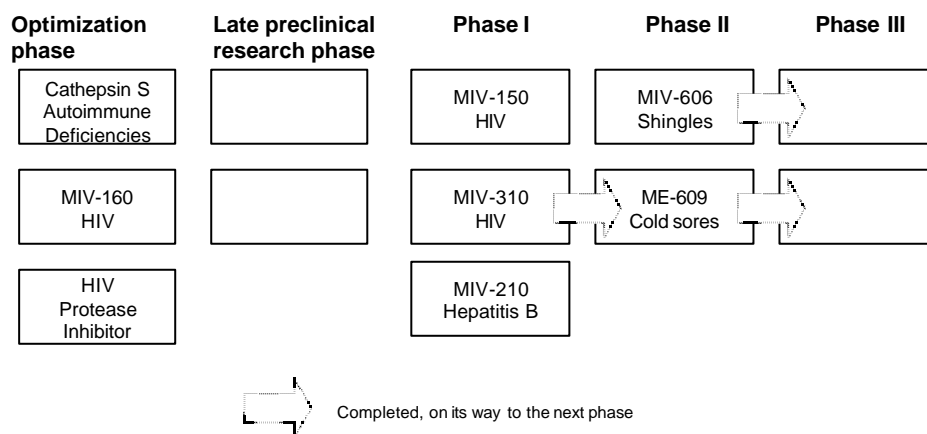
Medivir is an innovative specialist pharmaceuticals research corporation. Medivir's research is focused on developing new compounds into pharmaceuticals based on proteases and polymerases as target proteins (target enzymes). Medivir's research concentrates primarily on infectious diseases and autoimmune deficiencies. The research portfolio comprises projects against HIV, jaundice, shingles, cold sores and osteoporosis as well as projects in the autoimmune deficiency sphere.

CCS develops, manufactures and markets skin-care products and pharmaceuticals, while also undertaking contract manufacture of a number of skin-care products and pharmaceuticals for established brands.

Significant events in the year

- In March, Medivir acquired UK research enterprise Mimetrix, with an employee headcount of 28, now Medivir UK. Medivir UK's preclinical research activities complement Medivir's preclinical organization, significantly consolidating Medivir's operations. Medivir UK brings several promising research projects in varying preclinical research phases. Additionally, the acquisition brings a series of key technologies, for extending and rationalizing Medivir's research.
- In March, Medivir effected a new share issue, raising SEK 296 m. This transaction extended Medivir's institutional ownership both domestically and internationally.
- A new preclinical research organizational structure was established during the year, headed up by Professor Bertil Samuelsson. These activities made very positive progress through the year, with several advances in preclinical research.
- A phase II trial on ME-609 against labial herpes was concluded with positive results; the preliminary data from this trial were reported in September. The collaboration with AstraZeneca was concluded; Medivir will now be taking this project further. Efforts to secure a suitable collaboration partner and planning ahead of forthcoming phase III trials have begun.
- MIV-210 against hepatitis B (jaundice) entered phase I trials.
- CCS made a number of acquisitions and signed several contract manufacture agreements.

Medivir's project portfolio



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

Medivir's clinical projects

MIV-606 against shingles

Data from the phase II trial performed by Abbott were analyzed and reported in 2000. This trial demonstrates MIV-606's good efficacy; this agent is at least as effective against acute symptoms as acyclovir, the preparation most commonly used against shingles, and this despite far lower dosage. The trial also supports the correlation between the dosage of

MIV-606 and time with post-herpetic—hard to treat—chronic pain, and offered further corroboration of MIV-606's good safety profile. There is no pharmaceutical currently registered that is effective against chronic pain.

A tablet dosage form was produced in 2000, demonstrating good characteristics in clinical trials. Additionally, preparations and planning ahead of phase III trials were also undertaken in the year. Phase III trials will be structured so that registration is possible on all three key markets: North America, the EU and Japan. Medivir is not aware of any new promising agent in development against shingles, apart from MIV-606. Efforts to secure a collaboration partner continued in parallel with these activities; several negotiations are in hand.

ME-609 against labial herpes (cold sores)

Phase II trials were completed with preliminary data reported in the fourth quarter. AstraZeneca decided to discontinue its collaboration on ME-609, a decision based on factors relating to strategic portfolio management in the newly merged corporation, and is independent of the outcome of the phase II trial. This implies that Medivir will take over product and patent rights for ME-609. AstraZeneca will obtain a portion of future income. Medivir has started efforts to identify a new partner for the ongoing development of ME-609. A potential future partner will be able to continue deriving benefit from the expertise of Medivir subsidiary CCS AB.

Anti-HIV agent MIV-150

Chiron and Medivir initiated phase I trials on MIV-150 in 1999. The first trial was in the UK; MIV-150 exhibited a satisfactory safety profile. Formulations with enhanced bioavailability were produced in 2000, and these efforts are expected to continue through part of 2001. Planning ahead of a forthcoming phase II trial has begun. As previously announced, this trial is expected to commence in 2001.

MIV-310 against multi-resistant HIV

As previously announced, Medivir has decided to resume the clinical development of MIV-310. A new phase II trial is planned to determine whether MIV-310 is effective on patients with multi-resistant HIV, and to specify a toxicologically acceptable dosage. During the year, efforts were targeted on evaluation and preparation ahead of forthcoming phase II trials, including communications with the relevant authorities in the US and Europe. Phase II trials are expected to start, and be completed, in 2001.

MIV-210 against hepatitis B (jaundice)

The development of Medivir's compound MIV-210, a nucleoside analog against the hepatitis B virus, has resulted in a prodrug with good oral bioavailability. During the year, contract laboratories manufactured MIV-210 for toxicological evaluation and use in phase I clinical trials. Oral dosage forms have been developed, and are in use, in the current phase I trials. In animal trials, MIV-210 demonstrated good efficacy against HBV replication, while the combination of MIV-210 and lamivudine confers an additive effect against HBV. MIV-210 also demonstrated good efficacy against HBV that has developed resistance to lamivudine. In December 2000, Medivir received clearance from the UK Ethical Committee to initiate the first clinical trials on humans. The phase I trials are scheduled for completion in the third quarter 2001.

Medivir's preclinical research

A number of key research objectives were achieved in the year, in terms of competencies, technological advances and project progress

Mimetrix, of Cambridge, UK, now Medivir UK, was acquired, bringing Medivir new and significant research competencies in the protease sphere, patented research technologies and target proteins, plus new research projects.

Units specialising in pharmacokinetics, high throughput screening (HTS) and combinatorial chemistry have been built up and are now operational in Huddinge, Sweden and Cambridge, UK. Additionally, new, unique and patented technology platforms have been integrated into Medivir's research operations. A number of key professionals with broad experience of international pharmaceuticals research were hired in the year. Several projects have entered the preclinical optimization phase. At the end of the year, Medivir had three projects in the preclinical optimization phase: Cathepsin S (autoimmune deficiency), MIV-160 (HIV) and HIV-1 protease inhibitors. Moreover, one project is in lead identification phase; namely Cathepsin K, a project intended to identify a protease inhibitor against osteoporosis. Additionally, the early-phase research portfolio was extended.

CCS

CCS made positive progress through the year, continuing its expansion. Net sales grew by 10.6% through the year, while operating profit increased by 56% to SEK 15 m. OTC pharmaceutical Karbasal, launched in late 1999, made very brisk progress. During the year, CCS' contract manufacture collaboration with ACO Hud was extended, encompassing some 30 new products, integrated in operations from 1 July. Additionally, CCS acquired a number of eye-care products from AstraZeneca, while also taking over contract manufacture of nasal decongestant Nezeril. The production agreement with Astra Zeneca is effective from 1 January 2002.

Medivir's consolidated turnover and costs

The Group

Consolidated net turnover was SEK 110,365,000 (189,400,000) in 2000. Operating costs increased to SEK -213,771,000 (-175,102,000), which included goodwill amortization of SEK -2,979,000 (-1,695,000). The net financial position was SEK 15,497,000 (4,929,000). Profit after financial items was SEK -85,373,000 (21,308,000).

Medivir AB

Medivir AB's net turnover amounted to SEK 34,886,000 (119,549,000) in 2000. Income is largely attributable to remuneration received from Chiron Corporation regarding the HIV pharmaceuticals MIV-150 and MIV-160. The decline in turnover is against the background of Medivir receiving USD 12.6 m in various milestone payments for the HIV agent MIV-150 in 1999.

Operating costs stood at SEK -135,163,000 (-111,615,000), divided between external costs of SEK -92,029,000 (-80,244,000), personnel costs of -37,789,000 (-27,702,000) and depreciation of SEK -5,345,000 (-3,669,000). External costs include SEK -22,484,000 (0) relating to agreed remuneration to Medivir UK for preclinical contract research performed in Cambridge. The increase in personnel costs is due mainly to more researchers being hired through the year. The primary reason for the increase in depreciation was investment in new research equipment and the preparation of premises for combinatorial chemistry and high throughput screening, HTS.

Operating profit was SEK -100,105,000 (8,666,000); this deterioration was mainly due to Medivir not concluding any of its ongoing license negotiations during the year; during 1999, Medivir received USD 12.6 m for MIV-150, plus remuneration to Medivir UK for preclinical contract research and extended clinical programs.

Medivir UK

Medivir UK's net turnover was SEK 21,927,000 (0)—remuneration from Medivir for preclinical contract research. Operating costs were SEK -34,790,000 (0) divided between external costs of SEK -20,697,000 (0), personnel costs of SEK -11,077,000 (0) and depreciation of SEK -3,016,000 (0). Medivir UK, located in Cambridge, was acquired through a non-cash issue on 27 March, and is incorporated within the Group from April 2000 onwards.

CCS

CCS' net sales stood at SEK 77,692,000 (70,231,000) of which SEK 4,736,000 (3,040,000) related to CCS (UK) Ltd. CCS AB's net sales were SEK 74,942,000 (68,463,000); operating profit was SEK 14,981,000 (9,418,000). These sales gains can be explained partly by the healthy sales performance of CCS' proprietary products and by CCS' contract manufacture of ACO Hud's skin-care products since 1 July 2000. CCS' profits grew robustly; operating profits rose to SEK 15.0 (9.4) m, implying an operating margin of 19.3% (13.3). An improved product mix and lower manufacturing costs provide the background to this healthy operating margin expansion. The product mix improvements are due to factors including the OTC pharmaceutical Karbasal, launched in 1999, making solid progress through 2000. Lower costs were achieved through concerted initiatives to optimize production and review procurement sources.

Profit after financial items amounted to SEK 15.0 (9.6) m; 29.9% (26.4) of CCS AB's product sales relate to contract manufacture and 20% (21.2) to export sales.

CCS' sales by product area, 2000

	%	SEK m 2000	SEK m 1999
Ordinary retail goods	50.8	39.5	39.2
Pharmaceuticals	28.5	22.2	13.0
Sterile solutions	6.5	5.0	5.4
Minilancet	7.4	5.7	8.5
Dental	3.9	3.0	3.0
Other	2.9	2.3	1.1
Total	100.0	77.7	70.2
of which export	20.0	14.5	14.3
of which cont. man'f.	29.9	21.7	17.8

Financial position

The closing balance of consolidated liquid assets including short-term investments was SEK 342,784,000 (147,625,000); the market value of listed securities, of SEK 14,777,000 (11,107,000) is additional. Medivir had no interest-bearing liabilities at the end of 2000. Shareholders' equity was SEK 497,166,000 (238,478,000), a result of the new issue Medivir effected (of SEK 296 m), the issue of a new share option program (SEK 0.6 m), a non-cash issue coincident with the acquisition of Medivir UK (27.5 m) and the conversion of part of Medivir's 1996 share option program (SEK 18 m). At the end of the year, the consolidated equity ratio was 90.3% (85.7).

Investments

Gross investments in consolidated fixed assets were SEK 43,541,000 (8,194,000) in 2000, of which SEK 3,816,000 (3,579,000) were for plant and machinery within CCS. The investments in equipment amounted to SEK 28,895,000 (4,127,000), primarily Medivir AB's buildings and research equipment. Investments in buildings of SEK 9,718,000 (488,000) primarily related to the completion of Medivir's combinatorial chemistry premises, and the extension of CCS' existing production facility. The ongoing extension item of SEK 1,112,000 (0) relates to Medivir AB's research equipment, as well as, mainly, at the completion of CCS' production facility. Divestments of fixed assets during 2000 were SEK 140,000 (337,000). Total gross investments of SEK 43,541,000 (8,194,000) were divided as follows: Medivir AB, 25,369,000 (3,871,000); Medivir UK, 4,006,000 (0) and the CCS group, SEK 14,166,000 (4,323,000).

Intra-group transactions

Purchases from Medivir UK Ltd. and CCS were SEK 22,484,000 (0) and SEK 806,000 (381,000) respectively in the financial year. Remuneration from Medivir UK Ltd. was SEK 850,000 (0). Sales from CCS AB to CCS (UK) Ltd. were SEK 1,985,000 (1,271,000). No intra-group purchases were made from CCS (UK) Ltd.

Human resources

The employee headcount of the Medivir group increased by 48% to 161 (109) in 2000. As of year-end 2000, Medivir AB had 62 (49) employees, Medivir UK had 28 (0) and CCS had 71 (60). The average number of group employees was 122 (94) for the year.

The share

At year-end 2000, there were 8,288,022 outstanding shares, 660,000 class A shares and 7,628,022 class B shares. Exercise of all outstanding options would increase the total number of shares to 8,528,422. The number of shares increased by 1,633,000 through the year, divided between a new issue of 1,405,000 shares, a non-cash issue of 95,000 shares and option conversions of 133,000 shares.

Dividends

The Board proposes no dividends for the financial year 2000.

Annual General Meeting

The Annual General Meeting will be held in the *Polstjärnan* Auditorium, Sveavägen 77, Stockholm, Sweden on 28 March 2001 at 5 p.m.

Nomination Committee

Proposals for new Board members should be made to the Nomination Committee comprising Bo Öberg, Berndt Sjöberg and Lennart Philipson (tel. +46 (0) 728 7333).

Outlook

In 2001, Medivir's research costs in Sweden and the UK will amount to approximately SEK 150 m. The timing of out-licensing of various projects cannot be specified at the present time. A financial forecast for the year 2001 cannot be given.

Huddinge, Sweden, 15 February 2001

Medivir
The Board

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

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Consolidated Income Statement

	2000 Jan-Dec	1999 Jan-Dec	1998 Jan-Dec
Turnover etc.			
Net sales	110,365	189,400	69,473
Change in inventories	1,181	1,275	301
Capitalized work on behalf of other parties	472	0	0
Other turnover	882	806	249
Total turnover	112,900	191,481	70,023
Operating costs			
Raw materials and supplies	-29,886	-29,287	-28,083
Other external expenses	-102,375	-92,756	-50,333
Personnel expenses	-66,689	-44,245	-35,503
Depreciation	-14,821	-8,814	-7,555
Total operating costs	-213,771	-175,102	-121,474
Operating profit	-100,870	16,379	-51,451
Profit from financial investments			
Profit from other securities and receivables	162	226	5,314
Other interest income etc.	15,435	4,739	7,513
Interest expenses etc.	-100	-36	-161
Total profit from financial investments	15,497	4,929	12,666
Profit after financial items	-85,373	21,308	-38,785
Tax *	1,018	164	95
Net profit for the year	-84,355	21,472	-38,690

* Medivir AB had no tax expenses in 1999 because the 1998 profit figure generated tax-deductible losses.

Consolidated Balance Sheet

Summary, SEK

	2000	1999	1998
	31 December	31 December	31 December
Assets			
Fixed assets			
Intangible fixed assets	40,637	26,481	28,176
Tangible fixed assets	96,606	51,225	50,478
Financial fixed assets	3,321	3,133	3,133
Total fixed assets	140,565	80,839	81,787
Current assets			
Inventories	42,082	36,094	10,504
Current receivables	24,967	13,583	9,845
Cash, bank balances and short-term investments	342,784	147,625	133,334
Total current assets	409,834	197,302	153,683
Total assets	550,398	278,141	235,470
Liabilities and shareholders' equity			
Shareholders' equity	497,166	238,478	210,539
Provisions	5,260	6,245	6,498
Long-term liabilities	0	0	0
Current liabilities	47,972	33,418	18,433
Total liabilities and shareholders' equity	550,398	278,141	235,470

Consolidated Income Statement

	2000 Oct-Dec	1999 Oct-Dec	1998 Oct-Dec
Turnover etc.			
Net sales	31,779	36,774	17,099
Change in inventories	-144	948	261
Capitalized work on behalf of other parties	472	0	0
Other turnover	570	45	190
Total turnover	32,677	37,767	17,550
Operating costs			
Raw materials and supplies	-6,325	-7,560	-6,641
Other external expenses	-38,895	-19,169	-19,691
Personnel expenses	-19,277	-14,569	-10,063
Depreciation	-4,968	-2,203	-2,092
Total operating costs	-69,465	-43,501	-38,487
Operating profit	-36,787	-5,734	-20,937
Profit from financial investments			
Profit from other securities and receivables	-129	226	5,156
Other interest income etc.	4,957	1,291	1,796
Interest expenses etc.	-13	11	-142
Total profit from financial investments	4,815	1,528	6,810
Profit after financial items	-31,972	-4,206	-14,127
Tax	1,018	164	95
Net profit for the period	-30,954	-4,042	-14,032

Financial Ratios

	2000	1999	1998
	Jan-Dec	Jan-Dec	Jan-Dec
Return on:			
- equity, %	-22.9	9.6	-16.9
- capital employed, %	-23.2	9.5	-16.9
- total capital, %	-20.6	8.3	-15.1
Average no. of shares, 000*	7 472	6 626	6 596
No. of shares at the end of the period, 000*	8 288	6 655	6 596
Earnings per share, SEK*	-11.29	3.24	-5.87
Shareholders' equity per share, SEK*	59.99	35.83	31.92
Cash flow per share after investments, SEK*	-15.94	2.16	-6.50
Earnings per share, SEK**	-10.72	3.33	-5.31
Shareholders' equity per share, SEK**	64.01	41.79	38.11
Equity ratio, %	90.33	85.7	89.4

* Adjusted for bonus issues and split

** Adjusted for bonus issues and split and after full exercise of outstanding warrants

CONSOLIDATED CASH FLOW STATEMENT
Summary, SEK 000

	Jan- Dec '00	Jan- Dec '99	Jan- Dec '98
Ongoing operations			
Operating profit after financial items	-85,373	21,308	-38,785
Adjustment for items not included in cash flow:			0
Depreciation	14,821	8,814	7,555
Exchange rate differences	-199	0	0
Capital gains(-)/loss(+) on divested fixed assets	-95	-12	-5,113
Tax paid	-627	9	-184
Cash flow from ongoing operations Before change in working capital	-71,473	30,119	-36,527
Change in working capital	-3,164	-7,971	2,191
Cash flow from ongoing operations	-74,637	22,148	-34,336
Investment activity			
Acquisitions of tangible fixed assets	-43,541	-8,194	-15,746
Acquisitions of financial fixed assets	-873	0	7,183
Disposals of tangible fixed assets	140	337	90
Associated companies	0	0	-50
Increase in long-term receivables	-188	0	0
Cash flow from investment activity	-44,463	-7,857	-8,523
Financing activity			
Financial payments	314,258	0	2,056
Cash flow form financing activity	314,258	0	2,056
Cash flow for the year			
Liquid assets, opening balance*	147,625	133,334	174,137
Change in liquid assets	195,159	14,291	-40,803
Liquid assets, closing balance **	342,784	147,625	133,334

* Liquid assets refer to cash, bank balances and short-tem investments