



Press release 3 May 2000

## Interim Report, 1 January – 31 March 2000

- Medivir expands its research operations through acquisition of a company in Cambridge, UK.
- Successful Phase II clinical trial completed with Medivir's shingles agent MIV-606.
- Phase II clinical trial with herpes cream ME -609 proceeding as planned with around 360 individuals thus far included.
- Profits after financial items amounted to SEK -12.6 (10.4) million.
- New share issue successfully completed following substantial oversubscription. The issue yielded SEK 269 million.
- CCS increased sales by 20% to SEK 20 (16.6) million, while also increasing operating profit to SEK 4.4 (2.3) million, an increase of 88% over the corresponding period last year.

### Medivir expands in Great Britain

Medivir acquired the drug development operations of Peptide Therapeutics Ltd, hereafter denoted "Mimetrix", pursuant to an agreement dated 27 March 2000. Mimetrix, located in Cambridge, England, employs 28 highly qualified researchers (of which 20 are Ph.Ds) in the field of preclinical research. Mimetrix has several patent pending technologies which complement in an unusually comprehensive fashion Medivir's existing pharmaceutical research capacity.

Alongside its proprietary technologies, Mimetrix has a portfolio of high quality preclinical pharmaceutical projects.

With the Mimetrix acquisition Medivir establishes itself as an even more powerful force in European pharmaceutical research with 125 researcher (of which 50 operate in external university collaborations) and a well balanced project portfolio.

## **Successful Phase II clinical trial completed with Medivir's shingles antiviral MIV-606**

A successful phase II-study clinical trial regarding treatment of shingles with MIV-606 has now been completed. The results show that MIV-606 has good antiviral activity and is at least as efficacious as the drug currently most used, acyclovir, but at a significantly lower dose. The good results are entirely in line with Medivir's own expectations. The clinical trial further confirmed that MIV-606 has a good safety profile. The results suggest that there is a relationship between the dose of MIV-606 and the duration of postherpetic neuralgia (the difficult to treat chronic pain). Larger scale phase III clinical trials are now planned to further validate these promising results. The trial provides Medivir with high quality phase II documentation for the coming phase III clinical trials.

## **Phase II studies against resistant HIV planned for MIV-310**

Medivir has decided to proceed with the clinical evaluation of MIV-310 (alovudine, earlier FLT) and will submit an application to perform phase II studies. The clinical trials are expected to start during the year 2000.

MIV-310 went through phase I and II clinical trials in AIDS patients during 1991 and 1992. At that time multiresistant HIV had not appeared and since no advantage over zidovudine (AZT) was seen the project was put on ice. Since then multiresistant HIV has appeared and recent laboratory tests have shown MIV-310 to be very potent against HIV which has become resistant against HIV drugs presently on the market. Around 30 % of HIV patients do not respond to current therapies, largely due to HIV becoming multiresistant.

Safety data is already available to Medivir from the earlier phase I and II studies. A new phase II study is required to evaluate the effect of MIV-310 in patients with multiresistant HIV.

## **Phase II trial of ME-609 herpes cream is progressing well**

Medivir's collaboration with AstraZeneca regarding a new patent-pending treatment principle for cold sores with herpes cream ME-609. Over 360 individuals are involved in the trials. Phase II is estimated to be completed during Q 3.

## **HIV antiviral MIV-150 – Phase I under way**

Chiron and Medivir commenced phase I clinical trials with MIV-150 during 1999. The trials are being performed in England and are expected to be completed during the year 2000.

## **New issue of shares in Medivir and completion of Mimetrix acquisition**

The Board of Directors of Medivir AB (publ) decided on April 9<sup>th</sup> 2000 to issue 1.405.000 new shares of series B, without reference to existing shareholders' preferential rights. The decision was made under the mandate given by the shareholders' Annual General

Meeting on March 29<sup>th</sup> 2000. The proceeds from the new issue of shares will be used to finance Medivir's future expansion and has also contributed in increasing the company's institutional ownership in Sweden and internationally. The recent announcement of the acquisition of Mimetrix, Cambridge, from Peptide Therapeutics Group plc, was subject to the successful completion of this new issue of shares. Net proceeds to Medivir amount to approximately SEK 296 million. The issue price has been determined to SEK 220 per share through a book-building procedure. The new issue was substantially oversubscribed.

### **Substantially better sales and improved return for CCS.**

CCS experienced a substantial increase in sales. The skincare cream "Karbasa", launched in summer 1999, showed a particularly good sales development. Karbasa is now the official price reference standard in local pharmacies and is recommended by most regional health boards.

The improvements in profitability margins reflect the work commenced last year in rationalising manufacturing and improving purchasing processes. An intensified marketing campaign is planned for the coming quarter which will show in profitability margins.

### **Medivir's project portfolio**

<b>Discovery</b>	<b>Optimisation</b>	<b>Late Pre-clinical Phase</b>	<b>Phase I</b>	<b>Phase II</b>
Hepatitis C Malaria Fungi MIV-160 AEP	Prodrugs HIV Protease Inhibitor Cathepsin S	FLG Prodrug	MIV-150 MIV-310 (FLT)	MIV-606 (completed) ME-609

### **Medivir Group income and expenses**

The Group's net sales amounted to SEK 25 003 (61 058) thousand and operating expenses amounted to SEK -39 166 (-52 337) thousand. This item includes depreciation of goodwill of SEK -423 (-423) thousand. Net financial items increased to SEK 1 345 (1 171) thousand. The profit after financial items amounted to SEK -12 627 (10 445) thousand. The profit per share was SEK -1.90 ( 1.58).

The net sales of the parent company Medivir AB amounted to SEK 4 643 ( 44 039) thousand. This decrease is attributable to the USD 5 million upfront payment which Medivir received for HIV agent MIV-150 during the first quarter of 1999.

Operating expenses decreased to SEK -22 693 ( -36 845) thousand and operating profit amounted to SEK -18 050 ( 7 304) thousand. The decrease in operating expenses reflects in part the payment made by Medivir to Eli Lilly during the first quarter of 1999 in relation to adjustment of rights. The profit after financial items amounted to SEK -16 935

( 8 414 ) thousand. Medivir AB's books also show the around SEK 1.6 million company-linked repayment from SPP for the period Jan-March 2000.

CCS AB's net profit for the period increased to SEK 19 963 ( 16 622) thousand.

Operating profits amounted to SEK 4 427 ( 2 353) thousand and profit after financial items increased to SEK 4 678 ( 2 415) thousand. CCS billing comprised 28 (28) % from contract manufacture and 22 (23) % export sales. The sales increase largely reflects the successful launch of the skincare cream Karbasal and profit margin improvements due to better manufacturing productivity and purchasing.

### **Financial position**

The Group's liquid assets, including short term placements were SEK 127 654 thousand (147 625 thousand on 31 December 1999). As at 31 March 2000 and 31 December 1999 there were no interest bearing liabilities. Shareholder's equity decreased to SEK 225 851 thousand (238 478 thousand on 31 December 1999), but increased strongly after the new share issue. The Group's equity ratio was 84.4% compared with 85.7% on 31 December 1999.

### **Investments**

The Group's gross investment in fixed assets amounted to 6 451 (2 548) thousand during the period. The investments are largely referable to completion of the premises for combinatorial chemistry and high throughput screening (HTS) and associated equipment.

### **Prognosis**

The prognosis in the Financial Statement for 1999 is still sound. However the Mimetrix acquisition increases Medivir's total research expenses by an additional SEK 35-45 million. The net financial items improved by around SEK 9 million following the new share issue.

**Consolidated Income Statement**  
Summary, (SEK 000)

	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1999</b>
	<b>Jan-March</b>	<b>Jan-March</b>	<b>Jan-March</b>	<b>Jan-Dec</b>
<b>Turnover etc.</b>				
Net sales	25 003	61 058	18 463	189 400
Change in inventories	175	443	-336	1 275
Other turnover	16	110	0	806
<b>Total turnover</b>	<b>25 194</b>	<b>61 611</b>	<b>18 127</b>	<b>191 481</b>
<b>Operating costs</b>				
Raw materials & supplies	-8 160	-7 576	-7 331	-29 287
Other external costs	-17 202	-32 495	-9 704	-92 756
Personnel costs	-11 547	-10 090	-8 167	-44 245
Depreciation	-2 257	-2 176	-1 738	-8 814
<b>Total operation costs</b>	<b>-39 166</b>	<b>-52 337</b>	<b>-26 940</b>	<b>-175 102</b>
<b>Operating profit</b>	<b>-13 972</b>	<b>9 274</b>	<b>-8 813</b>	<b>16 379</b>
<b>Profit from financial investments</b>				
Profit from other securities and receivables	174	0	0	226
Other interest income, etc	1 205	1 176	2 070	4 739
Interest expenses, etc	-34	-5	-4	-36
<b>Total profit from financial investments</b>	<b>1 345</b>	<b>1 171</b>	<b>2 066</b>	<b>4 929</b>
<b>Profit after financial items</b>	<b>-12 627</b>	<b>10 445</b>	<b>-6 747</b>	<b>21 308</b>
Taxes*	0	0	0	164
<b>Net profit for the period</b>	<b>-12 627</b>	<b>10 445</b>	<b>-6 747</b>	<b>21 472</b>

\* No tax liability was posted for 1999 for Medivir AB as the previous year's results showed a tax deficit.

**Consolidated Balance sheet**  
Summary (SEK 000)

	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1999</b>
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 Dec</b>
<b>Assets</b>				
<b>Fixed assets</b>				
Intangible fixed assets	26 057	27 752	29 445	26 481
Tangible fixed assets	55 844	51 308	45 509	51 225
Financial fixed assets	3 133	3 133	5 207	3 133
<b>Total fixed assets</b>	<b>85 034</b>	<b>82 193</b>	<b>80 161</b>	<b>80 839</b>
<b>Current assets</b>				
Inventories	36 777	13 551	11 020	36 094
Current receivables	18 004	16 110	21 368	13 583
Cash & bank balance & other short-term investments	127 654	140 400	158 542	147 625
<b>Total current assets</b>	<b>182 435</b>	<b>170 061</b>	<b>190 930</b>	<b>197 302</b>
<b>Total assets</b>	<b>267 469</b>	<b>252 254</b>	<b>271 091</b>	<b>278 141</b>
<b>Liabilities and shareholders' equity</b>				
Shareholders' equity	225 851	220 984	240 664	238 478
Provisions	6 245	6 498	6 752	6 245
Long term liabilities	0	0	0	0
Current liabilities	35 373	24 772	23 675	33 418
<b>Total liabilities and shareholders' equity</b>	<b>267 469</b>	<b>252 254</b>	<b>271 091</b>	<b>278 141</b>

## Group cash flow analysis

Summary ( SEK 000)

	Jan-March 2000	Jan-March 1999	Jan-March 1998	Jan-Dec 1999
<b>Operations</b>				
Operating profit after financial items	-12 627	10 445	-6 747	21 308
Adjustment for non-cash flow items:				
Depreciation	2 257	2 176	1 738	8 814
Capital gains	0	0	0	-12
Tax paid	-433	0	0	9
<b>Cash flow from operations before changes in working capital</b>	<b>-10 803</b>	<b>12 621</b>	<b>-5 009</b>	<b>30 119</b>
Changes in working capital	-2 716	-2 971	-4 623	-7 971
<b>Cash flow from operations</b>	<b>-13 519</b>	<b>9 650</b>	<b>-9 632</b>	<b>22 148</b>
<b>Investment activities</b>				
Acquisition of fixed assets	-6 451	-2 584	-6 203	-8 194
Divestiture of financial assets	0	0	0	0
Divestiture of fixed assets	0	0	0	337
<b>Cash flow from investment activities</b>	<b>-6 451</b>	<b>-2 584</b>	<b>-6 203</b>	<b>-7 857</b>
<b>Financing activities</b>				
Financing costs	0	0	240	0
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>	<b>240</b>	<b>0</b>
<b>Cash flow for the period</b>				
Liquid assets* brought forward	147 625	133 334	174 137	133 334
Change in liquid assets	-19 970	7 066	-15 595	14 291
<b>Liquid assets, closing balance</b>	<b>127 655</b>	<b>140 400</b>	<b>158 542</b>	<b>147 625</b>

\* Liquid assets relates to bank deposits and short term placements.

## Financial ratios

	2000 Jan-March	1999 Jan-March	1998 Jan-March	1999 Jan-Dec
Return on:				
- equity, %	-5,44	4,8	-2,80	9,56
- capital employed, %	-5,42	4,8	-2,80	9,51
- total capital, %	-4,62	4,3	-2,50	8,31
Average number of shares, thousands*	6 655	6 596	6 596	6 626
Number of shares at the end of the period, thousands*	6 655	6 596	6 596	6 655
Earnings per share, SEK*	-1,90	1,58	-1,02	3,24
Shareholders' equity per share, SEK*	33,94	33,50	36,49	35,83
Cash flow per share, SEK*	-3,00	1,07	-2,40	2,16
Earnings per share, SEK**	-1,74	1,57	-0,91	3,33
Shareholders' equity per share, SEK**	39,78	39,42	42,26	41,79
Equity ratio, %	84,4	87,6	88,8	85,7

Earnings per share, incl new share issue, prognosis for year 2000, approximately SEK -4,73.

\* Adjusted for bonus issues and split.

\*\* Adjusted for bonus issues and split after full exercise of outstanding warrants but not including the new share issue.

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**Medivir is a research and development company which develops new and better substances for the treatment of infectious diseases. The subsidiary company CCS AB develops, manufactures and markets body-care products and pharmaceuticals. Medivir has been listed on the Stockholm Stock Exchange since November 1996. The Group consists of the parent company, Medivir AB, the CCS AB subsidiary and UK company CCS (UK) Ltd.**