



MEDIVIR INTERIM REPORT 1 January-30 June 2000

- Over 400 patients recruited in the Phase II clinical trials for ME-609.
- First Phase I clinical trial for MIV-150 completed.
- Profit after financial items amounted to SEK -33.9 (28.5) million. Net turnover amounted to SEK 54.7 (110.5) million.
- CCS increased its sales by 13% to SEK 39.8 (35.1) million, while also increasing operating profit to SEK 8.3 (4.7) million, an increase of 75% compared with the corresponding period last year.
- ACO Hud moves its manufacturing of pharmaceuticals and skin care products to CCS.
- Strong financial position following the now completed new share issue.

Research capacity reinforced by integration of Medivir UK

On 27 March 2000, Medivir closed an agreement with Peptide Therapeutics Group plc in relation to acquisition of Peptide's drug development operations, now denoted Medivir UK. During the period April-June, work has proceeded with integration of the two research organisations with the goal of creating a common structure with a strong project focus.

Cambridge-based Medivir UK has several patent-pending technologies, which complement Medivir's pharmaceutical research extremely well. Over and above its proprietary technology platforms, Medivir UK brings with it a portfolio of high quality preclinical research projects. With this acquisition, Medivir establishes itself as an even more powerful European pharmaceutical company with 125 researchers (50 of them externally engaged through university collaborations) and a well balanced project portfolio.

Phase II results for MIV-606

The Phase II clinical study with MIV-606 in relation to the treatment of shingles (varicella) have been completed. The study showed that MIV-606 has good efficacy and is at least as efficacious as acyclovir, the pharmaceutical currently most used, notwithstanding a significantly lower dose. The good results are wholly in line with Medivir's expectations. The study further confirmed that MIV-606 has a good safety profile. The study also suggests that there is a dose/effect relationship between the dose of MIV-606 and the duration of post-herpetic neuralgia (the difficult to treat chronic pain). Larger Phase III studies are now planned to confirm these encouraging results. The now completed Phase II study provides Medivir with high quality documentation as a prelude to the coming Phase III clinical trials.

Phase II studies for ME-609 herpes cream proceeding as planned

Medivir's collaboration with AstraZeneca on a new patent-pending treatment principle for cold sores and genital herpes passed Phase I with good results. The Phase II study with herpes cream ME-609 is underway in collaboration with international centres in North America. Over 400 patients are included in the Phase II study which is expected to be completed during Q3 as planned.

MIV-310 against multiresistant HIV

Medivir has decided to reinstate the clinical development of MIV-310 (alovudine, previously called FLT) and will seek approval to run Phase II clinical trials. These trials are expected to commence during 2000.

MIV-310 passed Phase I and II during the years 1991-92 as a treatment for AIDS patients. At that time multiresistant HIV had not evolved, and as no superiority over the antiviral AZT could be established, the project was terminated. Since then, however, multiresistant HIV has arisen and in newly performed laboratory trials MIV-310 has shown a very good activity against HIV which has become resistant to the antivirals currently on the market. At the moment, around 30 per cent of HIV patients do not respond to treatment with current antivirals, largely due to HIV becoming multiresistant.

Medivir will be able to use the data obtained in the earlier Phase I and Phase II clinical trials in relation to product safety. However a new Phase II study is required to establish the efficacy of MIV-310 in patients with multiresistant HIV.

Phase I results for MIV-150

Chiron and Medivir commenced Phase I clinical trials with MIV-150 during 1999. These first trials, conducted in the UK, showed an acceptable safety profile for the compound. Additional formulation development to enhance bioavailability and associated studies will be conducted prior to initiating Phase II clinical trials. Phase II studies are now expected to commence in 2001.

Strong sales trend for CCS continues

CCS' substantially increased sales continued into the second quarter. Sales of skin care cream Karbasal, which was launched during summer 1999, are developing particularly well. This product has been designated as reference product by Swedish pharmacies and has been recommended by the majority of Swedish pharmaceutical boards. The improvements in profit margin reflect that the activities commenced last year in rationalising production flow and improving purchasing procedures are now showing their full potential. During the second quarter, marketing activities have intensified and these are expected to expand even further during Q3, which will influence profit margin development.

An agreement was signed during Q2 with the Swedish pharmaceuticals company ACO Hud in relation to transfer of their pharmaceutical and skin care product manufacture to CCS' production facility in Borlänge. The first stage of the agreement extends 31 December 2003, during which production volume is expected to amount to around 2.5 million units per year.

The Medivir Group's income and expenses

The Group's net turnover amounted to SEK 54 720 (110 502) thousand and operating expenses amounted to SEK -93 942 (-85 554) thousand. These expenses include amortised goodwill of SEK -1 057 (-846) thousand. Net financial items increased to SEK 5 223 (2 317) thousand. Profit after financial items was SEK -33 894 (28 470) thousand and profit per share was SEK -4.54 (4.30).

Net turnover for Medivir AB was SEK 13 939 (74 589) thousand. This decrease reflects the USD 8 million, which Medivir received during the first half year of 1999 as license income for HIV antiviral MIV-150. Operating expenses decreased to SEK -51 010 (-52 671) and operating profit amounted to SEK -37 071 (22 185) thousand. Profit after financial items was SEK -32 184 (24 415).

Net turnover for Medivir UK during the period April-June was SEK 0 thousand. Operating profit during this period amounted to SEK -9 878 thousand and profit after financial items was SEK -9 871 thousand.

Net turnover for CCS AB for the period increased to SEK 39 800 (35 083) thousand. Operating profit amounted to SEK 8 302 (4 745) and profit after financial items increased to SEK 8 579 (4 800) thousand. Of CCS' total debiting, contract manufacture contributes SEK 25 (26%) and export sales contribute SEK 20 (23%). A significant component of the sales increase reflects the successful launch of skin care cream Karbasal and the improvements in profit margin arising from rationalised production and improved purchasing agreements.

Net turnover for CCS UK was SEK 2 544 (1 631) thousand and the operating profit amounted to SEK 367 (28) thousand. Profit after financial items was SEK 369 (30) thousand.

Financial position

The Group's liquid assets including short-term placements amounted to SEK 400 563 thousand (SEK 147 625 thousand as at 31 December 1999). There were no interest bearing liabilities at 30 June 2000 or 31 December 1999. Shareholders' equity increased to SEK 542 453 thousand (SEK 238 478 thousand as at 31 December 1999), due to the new share issue during the period (SEK 296 million), a new share option programme (SEK 0.6 million), a directed non-cash share issue in relation to acquisition of Medivir UK (SEK 27.5 million) and conversion of part of the 1996 Medivir option programme (SEK 14.4 million). The Group's equity ratio amounted to 92.3 per cent, compared with 85.7 per cent as at 31 December 1999.

Investments

The Group's gross investments in fixed tangible assets during the period amounted to SEK 15 222 (4 456) thousand. The investments principally relate to completion of the premises for combinatorial chemistry and high throughput screening (HTS) and associated research equipment in Medivir AB.

Forecast

The forecast issued in the 1999 year-end financial statement is superceded by the Medivir UK acquisition, whereby total research expenses will increase by an additional SEK 35-45 million. Moving the start of Phase II for MIV-150 to next year also leads to rescheduling of the associated milestone payment and a further negative impact on this year's figures. The net financial items improves by around SEK 9 million as a result of the new share issue.

Consolidated Income Statement
Summary, (SEK 000)

	2000	1999	1998	1999
	Jan-June	Jan-June	Jan-June	Jan-Dec
Turnover etc.				
Net sales	54 720	110 502	36 458	189 400
Change in inventories	85	778	210	1 275
Other turnover	20	427	41	806
Total turnover	54 825	111 707	36 709	191 481
Operating costs				
Raw materials & supplies	-18 054	-15 144	-15 179	-29 287
Other external costs	-40 054	-46 022	-19 498	-92 756
Personnel costs	-29 900	-20 010	-17 575	-44 245
Depreciation	-5 934	-4 378	-3 582	-8 814
Total operation costs	-93 942	-85 554	-55 834	-175 102
Operating profit	-39 117	26 153	-19 125	16 379
Profit from financial investments				
Profit from other securities and receivables	256	0	0	226
Other interest income, etc	5 049	2 361	4 142	4 739
Interest expenses, etc	-82	-44	-4	-36
Total profit from financial investments	5 223	2 317	4 138	4 929
Profit after financial items	-33 894	28 470	-14 987	21 308
Taxes*	0	0	0	164
Net profit for the period	-33 894	28 470	-14 987	21 472

* 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)

	2000	1999	1998	1999
	30 June	30 June	30 June	31 Dec
Assets				
Fixed assets				
Intangible fixed assets	42 040	27 328	29 020	26 481
Tangible fixed assets	74 540	51 327	47 468	51 225
Financial fixed assets	3 133	3 133	5 257	3 133
Total fixed assets	119 713	81 788	81 745	80 839
Current assets				
Inventories	38 842	36 520	11 197	36 094
Current receivables	28 458	15 601	19 997	13 583
Cash & bank balance & other short-term investments	400 563	143 362	146 527	147 625
Total current assets	467 863	195 483	177 721	197 302
Total assets	587 576	277 271	259 466	278 141
Liabilities and shareholders' equity				
Shareholders' equity	542 453	245 475	232 425	238 478
Provisions	6 245	6 498	6 752	6 245
Long term liabilities	0	0	0	0
Current liabilities	38 878	25 298	20 289	33 418
Total liabilities and shareholders' equity	587 576	277 271	259 466	278 141

Consolidated Income Statement
Summary, (SEK 000)

	2000	1999	1998
	April-June	April-June	April-June
Turnover etc.			
Net sales	29 717	49 444	17 995
Change in inventories	-90	335	546
Other turnover	4	317	41
Total turnover	29 631	50 096	18 582
Operating costs			
Raw materials and supplies	-9 894	-7 568	-7 848
Other external costs	-22 852	-13 527	-9 794
Personnel costs	-18 353	-9 920	-9 408
Depreciation	-3 677	-2 202	-1 844
Total operating costs	-54 776	-33 217	-28 894
Operating profit	-25 145	16 879	-10 312
Profit from financial investments			
Profit from other securities and receivables	82	0	0
Other interest income, etc	3 844	1 185	2 072
Interest expenses, etc	-48	-39	0
Total profit from financial investingar	3 878	1 146	2 072
Profit after financial items	-21 267	18 025	-8 240
Taxes	0	0	0
Net profit for the period	-21 267	18 025	-8 240

GROUP CASH FLOW ANALYSIS

Summary (SEK 000)

	Jan-June 2000	Jan-June 1999	Jan-June 1998	Jan-Dec 1999
Operations				
Operating profit after financial items	-33 894	28 471	-14 987	21 308
Adjustment for non-cash flow items:				
Depreciation	5 934	4 378	3 582	8 814
Capital gains(-) / loss(+) on divested fixed assets	-19	-45	0	-12
Tax paid	-582	0	0	9
Cash flow from operations before changes in working capital	-28 561	32 804	-11 405	30 119
Changes in working capital	-13 438	-18 446	-6 816	-7 971
Cash flow from operations	-41 999	14 358	-18 221	22 148
Investment activities				
Acquisition of fixed assets	-15 222	-4 456	-9 629	-8 194
Divestiture of financial assets	-873	0	0	0
Divestiture of fixed assets	60	126	0	337
Cash flow from investment activities	-16 035	-4 330	-9 629	-7 857
Financing activities				
Financing costs	310 972	0	240	0
Cash flow from financing activities	310 972	0	240	0
Cash flow for the period				
Liquid assets* brought forward	147 625	133 334	174 137	133 334
Change in liquid assets	252 938	10 028	-27 610	14 291
Liquid assets, closing balance	400 563	143 362	146 527	147 625

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

FINANCIAL RATIOS

	2000 Jan-June	1999 Jan-June	1998 Jan-June	1999 Jan-Dec
Return on:				
- equity, %	-8.7	12.5	-6.2	9.6
- capital employed, %	-8.7	12.5	-6.2	9.5
- total capital, %	-7.8	11.1	-5.6	8.3
Average number of shares, thousands*	7 459	6 626	6 596	6 626
Number of shares at the end of the period, thousands*	8 262	6 655	6 596	6 655
Earnings per share, SEK*	-4.54	4.30	-2.27	3.24
Shareholders' equity per share, SEK*	65.66	36.89	-35.24	35.83
Cash flow per share, SEK*	33.9	1.51	-4.20	2.16
Earnings per share, SEK**	-4.27	4.22	-2.03	3.33
Shareholders' equity per share, SEK**	69.65	42.66	41.14	41.79
Equity ratio, %	92.32	88.5	89.6	85.7

Earnings per share, incl new share issue, prognosis for year 2000, approximately SEK -8.04.

* Adjusted for bonus issues and split.

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

Huddinge 6 July 2000

MEDIVIR AB (pub)

Medivir's auditors have not subjected this report to an in-depth examination.

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*Further information on Medivir, please see our website www.medivir.se
The next interim report will be released on 25 October 2000.*

Medivir is a research and development company, which develops new and improved pharmaceuticals for the treatment of infection and associated diseases. Through its subsidiary CCS, Medivir develops, manufactures and markets body care products and pharmaceuticals. The Group has been listed on the O list of the Stockholm Stock Exchange since November 1996 and consists of the parent company Medivir AB, wholly owned British subsidiary, Medivir UK Ltd, wholly owned subsidiary CCS AB and CCS' British subsidiary CCS (UK) Ltd.