



## **MEDIVIR INTERIM REPORT, 1 January – 30 September 2001**

- MIV-310 against multi-resistant HIV; phase II trials recently started.
- New antibiotics research collaboration with Bart's and the London School of Medicine, Queen Mary College, the University of London.
- Chiron and Medivir have signed a preclinical collaboration agreement regarding hepatitis C.
- Profit after financial items was SEK -99.4 (-53.4) m; net sales increased to SEK 96.7 (78.6) m.
- CCS' sales increased to SEK 96.9 (59.9) m; operating profit was SEK 15.7 (13.7) m.

### ***Forthcoming Reports***

The Financial Statement for 2001 will be published on 15 February 2002.

The Annual General Meeting will be on 9 April 2002

The First-quarter Interim Report for 2002 will be published on 26 April 2002

The Second-quarter Interim Report for 2002 will be published on 8 July 2002

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

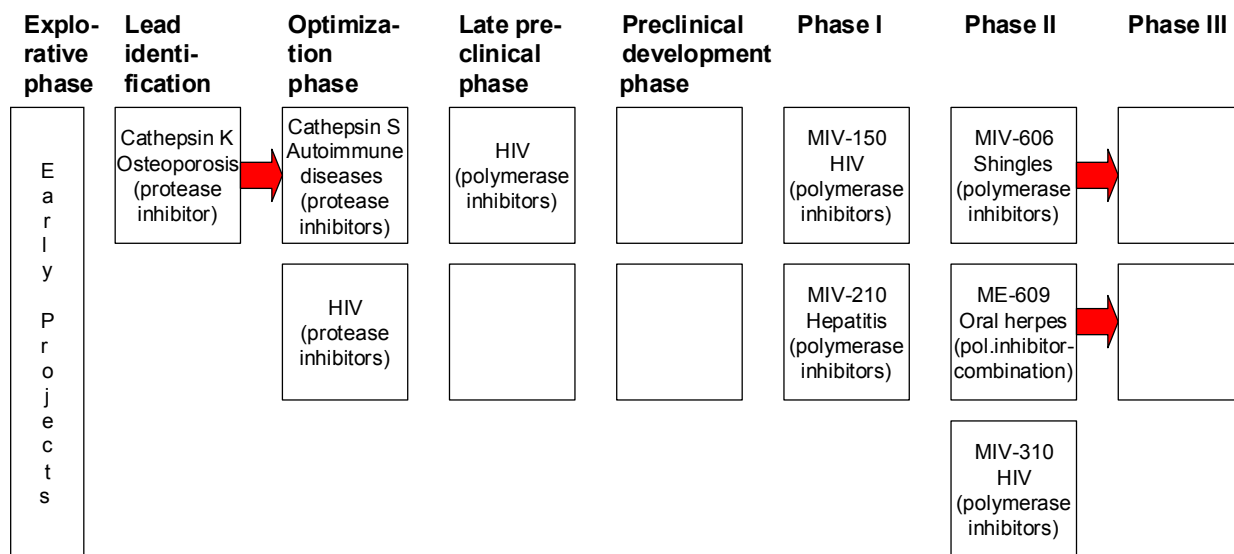
*The group comprises Medivir AB, the subsidiaries Medivir UK Ltd. and CCS AB, plus second-tier subsidiaries CCS (UK) Ltd. and Nordic Care Sweden AB (formerly Jillprodukter). Medivir has been quoted on the Stockholm Stock Exchange O-list since 1996.*


*Medivir is an innovative specialist pharmaceuticals research and development corporation. Medivir's research is focused on developing substances into new pharmaceuticals based on proteases and polymerases as target enzymes.*

*Medivir's research concentrates on infectious diseases and autoimmune deficiencies. The research portfolio comprises projects against HIV, jaundice, shingles, cold sores, osteoporosis, asthma, multiple sclerosis and rheumatoid arthritis.*

*Medivir has five projects in clinical development phases, two of which are entering phase III after completing phase II. Two are in phase I and one project is in phase II. Medivir's preclinical research encompasses a number of projects, one of which is entering, and two are in, their optimization phase. One project is in its late preclinical research phase.*

## MEDIVIR'S PROJECT PORTFOLIO



 Completed, on its way into next step

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

## MEDIVIR'S CLINICAL PROJECTS

### MIV-606 against shingles

Medivir's work on outlicensing activities continued in the period; negotiations are underway.

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

The final results from phase II trials were reported in spring 2001, indicating good efficacy. ME-609 is the first pharmaceutical to demonstrate prevention of the incidence of cold sores upon early treatment. A prospectus for outlicensing was prepared in the period in consultation with a project team comprising eminent international opinion-formers, after the formulation of a strategy for forthcoming phase III trials.

### Anti-HIV agent MIV-150

During the period, Chiron continued its efforts to achieve enhanced bioavailability, and made good progress. Phase I trials continued, as did planning ahead of forthcoming phase II. Phase one trials are scheduled for completion at around the end of 2001, as previously indicated.

### MIV-310 against multi-resistant HIV

Phase IIa trials with MIV-310 recently got underway; these trials are planned to demonstrate anti-viral efficacy on patients with multi-resistant HIV at a toxicologically acceptable dosage. This trial, which is a conceptual test, will involve patients with

multi-resistant HIV and measurable virus levels in their plasma being treated with MIV-310 for a month. MIV-310 will be administered as a supplement to ongoing, standard treatment.

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

The phase one trials that began in January demonstrated very good oral bioavailability; an evaluation of the toxicological profile of long-term treatment is underway. The US authorities granted patent approval during the quarter, valid until 2018.

## **MEDIVIR'S PRECLINICAL RESEARCH\***

### **Summary of project progress**

The distinct enhancement of Medivir's research capacity in 2000 and 2001 implies that Medivir can now work on both polymerase and protease inhibitors effectively, consistent with the company's strategy. Additionally, eminent international researchers are now being linked to Medivir through new collaboration projects on polymerases and proteases. Major advances within research into protease inhibitors have quickly become apparent, with the prospects of producing potential pharmaceuticals outside the infection sphere have increased.

At present, there are eight defined projects in pre-clinical development, and a number of explorative projects.

The HIV polymerase inhibitor project is now in its late preclinical research phase. Medivir has successfully completed efforts on this project, resulting in a novel type of orally available HIV inhibitor active in sub-nanomolar (extremely low) concentrations, and effective against HIV isolate resistant to current drugs.

Medivir's projects in optimization phases—the protease inhibitor Cathepsin S against autoimmune diseases and a project on HIV-1 protease inhibitors—sustained positive progress through the period.

Cathepsin K protease inhibitor, a project against osteoporosis, made brisk progress, and is now heading towards its optimization phase. Cathepsin K is a protease found in osteoclasts, bone cells active in skeletal decay. Cathepsin K inhibitors are expected to be highly significant in future osteoporosis treatment.

\* For explanations for the terminology used in this document, please refer to the figure on the previous page and Medivir's Annual Report.

## **New preclinical collaboration agreement**

Two new collaboration agreements were reached in the quarter:

The first is an antibiotics research collaboration with St. Bartholomew's and the London School of Medicine at Queen Mary, the University of London.

This project is founded on the know-how at Queen Mary within identifying and validating proteases from bacteria as target proteins for pharmaceuticals. Medivir will utilize its pharmaceuticals expertise and technology platforms in the protease sphere to develop new antibiotics.

The project is intended to explore a new genome-based method to develop protease inhibitors as antibiotics against Mycobacterial tuberculosis, *Helicobacter pylori*, *Pseudomonas aeruginosa* and *Staphylococcus aureus*. Each of these bacteria cause a significant number of infections, which are becoming more difficult to treat because of increased resistance to extant antibiotics.

This collaboration encompasses multiple researchers active on projects at Queen Mary, and is supported by the UK's Medical Research Council, and Medivir resources at Cambridge, UK and Huddinge, Sweden. Medivir will retain patents and other commercial rights.

The second agreement is a collaboration between Medivir and Chiron the key area of hepatitis C virus (HCV) infections.

As a consequence of its focus on inhibitors of two specific classes of enzyme, proteases and polymerases, Medivir owns a number of substance libraries oriented on inhibiting specific mechanisms.

Chiron is a pioneer and major player in the HCV sphere, possessing central patents and a battery of inaccessible HCV tests.

This collaboration, which will run for an initial one-year period, confers Chiron with rights to trial Medivir's unique substance libraries.

The collaboration offers Chiron the opportunity to gain exclusive global rights, and if this opportunity is utilized, may elicit licensing and milestone payments to Medivir exceeding USD 10 m, for products developed against NDA. Additionally, Medivir will receive royalties on future sales.

## **CCS**

During the period, CCS sustained its brisk sales performance, the consequence of the positive progress of CCS' proprietary brands, and also because of a number of product launches in the ordinary retail goods and pharmaceuticals segments (Ketoson anti-dandruff shampoo). Moreover, contract manufacture for ACO Hud, and the acquisitions of Nordic Care Sweden AB as of 1 January 2001, provide CCS with a sales and earnings contribution.

During the quarter, CCS intensified its initiatives ahead of the forthcoming take-over of AstraZeneca's eye-care products and the contract manufacture of Nezeril, which will begin in the first quarter of 2002. This has as planned burdened operating profit and will continue to do so in the fourth quarter.

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

### **The group**

Consolidated net sales were SEK 96,675,000 (78,586,000) in the period; operating costs increased to SEK -205,660,000 (-144,306,000), including goodwill amortization of SEK -2,524,000 (-1,693,000). The net financial position was SEK 9,863,000 (10,682,000), of which SEK 3,286,000 (932,000) comprised exchange rate gains. Profit after financial items was SEK -99,409,000 (-53,401,000).

### **Medivir**

The net sales generated by Medivir's research operations, encompassing Medivir AB and Medivir (UK) Ltd. (consolidated from April 2000 onwards) were SEK 153,000 (19,307,000) in the period, the turnover decline due to the fact that Medivir AB was receiving remuneration for a preclinical project in 2000. Research costs amounted to SEK -122,558,000 (-95,647,000), divided between external costs of SEK -63,927,000 (-54,882,000), personnel costs of SEK -48,646,000 (-35,180,000) and depreciation of SEK -9,985,000 (-5,585,000).

The primary explanation for the increase personnel costs is more researchers being hired in late 2000; depreciation increased mainly because of investments in new research equipment, and the completion of Medivir AB's combinatorial chemistry and high throughput screening (HTS) premises in 2000.

Operating profit was SEK -122,406,000 (-76,183,000). Although partly attributable to reduced turnover, the primary reason for the profit deterioration is increased employee headcount, and the ensuing increase in research costs. Profit after financial items was SEK -112,786,000 (-65,916,000).

### **CCS**

From January 2001 onwards, the CCS group comprises CCS AB, Nordic Care Sweden AB and CCS (UK) Ltd. CCS' net sales were SEK 96,935,000 (59,900,000). CCS' operating profit (inc. Nordic Care Sweden AB and CCS (UK) Ltd.) amounted to SEK 15,657,000 (13,724,000); profit after financial items was SEK 15,901,000 (14,139,000). Of CCS AB's product sales, 36 (25)% comprised contract manufacture, and 14 (22)% consisted of export sales.

The sales gains are due both to the positive sales performance of CCS' proprietary products, and the fact that since 1 July 2000, CCS has been the contract manufacturer of ACO Hud's skin-care products, as well as the CCS group's consolidated figures including the sale of Nordic Care's (formerly Jillprodukter) body-care products from January 2001 onwards.

During the period, operating profit was subject to costs for the integration of Nordic Care and for the forthcoming take-over of AstraZeneca's eye-care products, and the contract manufacture of Nezeril, which will begin in the first quarter of 2002.

**Financial position**

Consolidated liquid assets including short-term investments were SEK 213,140,000 (342,784,000 as of 31 December 2000). Medivir had SEK 852,000 of interest-bearing liabilities as of 30 September 2001 (SEK 0 as of 31 December 2000). Shareholders' equity was SEK 396,176,000 (SEK 497,166,000 as of 31 December 2000). The consolidated equity ratio was 90.2%, against 90.3% as of 31 December 2000.

**Investments**

Gross investments in consolidated tangible fixed assets were SEK 24,913,000 (23,874,000) in the period, with these investments mainly due to the acquisition of research equipment for Medivir, plus the renovation and extension of production and office premises and acquiring production equipment for CCS.

**Accounting principles**

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

**Outlook**

Several projects are now in their outlicensing phase; Medivir has consolidated its personnel resources for outlicensing initiatives. Because Medivir cannot specify if and when outlicensing will occur, it will not be issuing a profit forecast for 2001. Medivir's focused investments in preclinical and clinical research initiatives will generate research costs of some SEK 150 (144) m in 2001.

Huddinge, Sweden, 31 October 2001

Medivir  
The Board

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

## CONSOLIDATED INCOME STATEMENT

Summary, SEK 000

	2001 Jan-Sep	2000 Jan-Sep	1999 Jan-Sep	2000 Jan-Dec
<b>Turnover etc.</b>				
Net sales	96,675	78,586	152,626	110,365
Change in inventories	-415	1,325	327	1,181
Capitalized work on behalf of other parties	0	0	0	472
Other turnover	127	312	761	882
<b>Total turnover</b>	<b>96,387</b>	<b>80,223</b>	<b>153,714</b>	<b>112,900</b>
<b>Operating costs</b>				
Raw materials and supplies	-39,703	-23,561	-21,727	-30,736
Other external costs	-78,236	-63,480	-73,587	-101,525
Personnel costs	-71,826	-47,412	-29,676	-66,689
Depreciation	-15,894	-9,853	-6,611	-14,821
<b>Total operating costs</b>	<b>-205,660</b>	<b>-144,306</b>	<b>-131,601</b>	<b>-213,771</b>
<b>Operating profit</b>	<b>-109,272</b>	<b>-64,083</b>	<b>22,113</b>	<b>-100,870</b>
<b>Profit from financial investments</b>				
Profit from other securities and receivables	150	291	0	162
Other interest income etc.	9,911	10,478	3,448	15,435
Interest costs etc.	-197	-87	-47	-100
<b>Total profit from financial investments</b>	<b>9,863</b>	<b>10,682</b>	<b>3,401</b>	<b>15,497</b>
<b>Profit after financial items</b>	<b>-99,409</b>	<b>-53,401</b>	<b>25,514</b>	<b>-85,373</b>
Tax*	0	0	0	1,018
<b>Net profit</b>	<b>-99,409</b>	<b>-53,401</b>	<b>25,514</b>	<b>-84,355</b>

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

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

## CONSOLIDATED INCOME STATEMENT

Summary, SEK 000

	2001 Jul-Sep	2000 Jul-Sep	1999 Jul-Sep
<b>Turnover etc.</b>			
Net sales	33,087	23,866	42,124
Change in inventories	-7	1,240	-451
Other turnover	79	292	334
<b>Total turnover</b>	<b>33,159</b>	<b>25,398</b>	<b>42,007</b>
<b>Operating costs</b>			
Raw materials and supplies	-13,814	-5,507	-6,583
Other external costs	-25,544	-23,426	-27,565
Personnel costs	-22,566	-17,512	-9,666
Depreciation	-5,548	-3,919	-2,233
<b>Total operating costs</b>	<b>-67,471</b>	<b>-50,364</b>	<b>-46,047</b>
<b>Operating profit</b>	<b>-34,312</b>	<b>-24,966</b>	<b>-4,040</b>
<b>Profit from financial investments</b>			
Profit from other securities and receivables	22	35	0
Other interest income etc.	3,012	5,429	1,087
Interest costs etc.	-124	-5	-3
<b>Total profit from financial investments</b>	<b>2,909</b>	<b>5,459</b>	<b>1,084</b>
<b>Profit after financial items</b>	<b>-31,403</b>	<b>-19,507</b>	<b>-2,956</b>
Tax	0	0	0
<b>Net profit</b>	<b>-31,403</b>	<b>-19,507</b>	<b>-2,956</b>

**CONSOLIDATED BALANCE SHEET**

Summary, SEK 000

	2001 30 Sept	2000 30 Sept	1999 30 Sept	2000 31 Dec
<b>Assets</b>				
<b>Fixed assets</b>				
Intangible fixed assets	38,112	42,304	26,905	40,637
Tangible fixed assets	109,254	80,572	51,251	96,606
Financial fixed assets	3,319	3,133	3,133	3,321
<b>Total fixed assets</b>	<b>150,684</b>	<b>126,009</b>	<b>81,289</b>	<b>140,565</b>
<b>Current assets</b>				
Inventories	47,493	40,343	35,147	42,082
Current receivables	27,748	21,478	14,104	24,967
Short-term investments	202,107	351,940	125,065	327,621
Cash and bank balances	11,033	29,320	19,895	15,163
<b>Total current assets</b>	<b>288,381</b>	<b>443,081</b>	<b>194,211</b>	<b>409,834</b>
<b>Total assets</b>	<b>439,065</b>	<b>569,090</b>	<b>275,500</b>	<b>550,398</b>
<b>Liabilities and shareholders' equity</b>				
Restricted equity	573,322	589,663	237,486	575,755
Accumulated deficit /non-restricted equity	-177,146	-66,091	5 033	-78,588
<b>Total shareholders' equity</b>	<b>Note 1 396,176</b>	<b>523,572</b>	<b>242,519</b>	<b>497,166</b>
Provisions	5,260	6,245	6,498	5,260
Long-term liabilities	0	0	0	0
Current liabilities	37,629	39,273	26,483	47,972
<b>Total liabilities and shareholders' equity</b>	<b>439,065</b>	<b>569,090</b>	<b>275,500</b>	<b>550,398</b>

**Note 1****Change in shareholders' equity (SEK 000)**

	Restricted equity	Accumulated deficit/ non-restricted equity	Total share- holders' equity
Balance sheet, 31 Dec. 2000	575,755	-78,588	497,166
Transfer between restricted and non-restricted reserves	-2,446	2,446	0
Option conversion	13		13
Translation difference		-1,595	-1,595
Net profit		-99,409	-99,409
<b>Balance Sheet 30 Sep. 2001</b>	<b>573,322</b>	<b>-177,146</b>	<b>396,176</b>

## CONSOLIDATED CASH FLOW STATEMENT

Summary, SEK 000

	Jan-Sep 2001	Jan-Sep 2000	Jan-Sep 1999	Jan-Dec 2000
<b>Ongoing operations</b>				
Operating profit after financial items	-99,409	-53,401	25,514	-85,373
Adjustment for items not included in cash flow:				
Depreciation	15,894	9,853	6,611	14,821
Exchange rate and translation differences	-2,844	-877	0	-199
Capital gains(-)/loss(+) on divested fixed assets	148	-100	-8	-95
Tax paid	-1,782	-733	0	-627
<b>Cash flow from ongoing operations before change in working capital</b>	<b>-87,994</b>	<b>-45,258</b>	<b>32,117</b>	<b>-71,473</b>
Change in working capital	-16,753	-7,472	-14,390	-3,164
<b>Cash flow from ongoing operations</b>	<b>-104,747</b>	<b>-52,730</b>	<b>17,727</b>	<b>-74,637</b>
<b>Investment activity</b>				
Acquisitions of tangible fixed assets	-24,913	-23,874	-6,347	-43,541
Acquisitions of financial fixed assets	0	-873	0	-873
Disposals of tangible fixed assets	0	140	246	140
Disposals of financial fixed assets	3	0	0	0
Increase in long-term receivables	0	0	0	-188
<b>Cash flow from investment activity</b>	<b>-24,910</b>	<b>-24,607</b>	<b>-6,101</b>	<b>-44,463</b>
<b>Financing activity</b>				
Financial payments	13	310,972	0	314,258
<b>Cash flow from financing activity</b>	<b>13</b>	<b>310,972</b>	<b>0</b>	<b>314,258</b>
<b>Cash flow for the period</b>				
Liquid assets, opening balance*	342,784	147,625	133,334	147,625
Change in liquid assets	-129,644	233,635	11,626	195,159
<b>Liquid assets, closing balance*</b>	<b>213,140</b>	<b>381,260</b>	<b>144,960</b>	<b>342,784</b>

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

## KEY FIGURES

	<b>2001 Jan-Sep</b>	<b>2000 Jan-Sep</b>	<b>1999 Jan-Sep</b>	<b>2000 Jan-Dec</b>
Return on:				
- equity, %	-22.26	-14.00	11.30	-22.93
- capital employed, %	-22.21	-14.00	11.30	-23.18
- total capital, %	-20.05	-12.60	10.00	-20.58
Ave. no. of shares, 000s	8,288	7,459	6,626	7,472
No. of shares at end of period, 000s	8,288	8,262	6,655	8,288
Outstanding warrants, 000s	313.4	266.8	333.5	240.40
Earnings per share, SEK	-11.99	-7.16	3.85	-11.29
Shareholders' equity per share, SEK	47.80	63.37	36.44	59.99
Cash flow per share after investments, SEK	-15.64	-10.37	1.75	-15.94
Earnings per share, SEK*	-11.40	-6.74	3.87	-10.72
Shareholders' equity per share, SEK*	52.15	67.48	42.30	64.01
Equity ratio, %	90.23	92.00	88.00	90.33

For the EPS forecast for 2001, please refer to 'Outlook' under the section on Medivir's consolidated turnover and costs.

\*After full utilization of outstanding warrants.