



Financial Statement, 1 January – 31 December 2001

- MIV-606 against shingles: Outlicensing activities are in an intensive phase.
- In December, Medivir and Peptimmune announced a research breakthrough in the treatment of RA (rheumatoid arthritis).
- In the fourth quarter 2001, Medivir selected a CD (candidate drug) in its HIV polymerase research program.
- MIV-310 against multi-resistant HIV—phase IIa trial began in October.
- MIV-210 against hepatitis B—phase I trial demonstrated good oral bioavailability.
- In August, Medivir signed a preclinical research agreement on hepatitis C with Chiron.
- Also in August, Medivir entered a new antibiotics research collaboration with scientists at Bart's and the London School of Medicine, Queen Mary College, the University of London.
- ME-609 against oral herpes—definitive phase II trial results demonstrated good efficacy; ME-609 is also the first pharmaceutical to prevent the incidence of cold sores with early treatment. Strategy ahead of forthcoming phase III trials finalized; outlicensing efforts recently initiated.
- Profit after financial items was SEK -139.4 m (-85.4 m); net sales grew to SEK 125.9 m (110.4 m).
- CCS increased net sales to SEK 126.4 m (77.7 m), with operating profit of SEK 16.4 m (15.0 m).

Forthcoming financial information in 2002

- The Annual General Meeting will be held on 9 April 2002
- The First-quarter Interim Report will be published on 26 April 2002
- The Second-quarter Interim Report will be published on 8 July 2002
- The Third-quarter Interim Report will be published on 31 October 2002

Teleconference

Medivir will host a teleconference at 15.00 SE time. Jonas Frick, CEO and President; Bertil Samuelsson, Head of Research; Johan Harmenberg, Head of Pharmaceutical Development and Rein Piir, CFO and IR will guide you through the financial statement for 2001 and a Q&A session will be held.

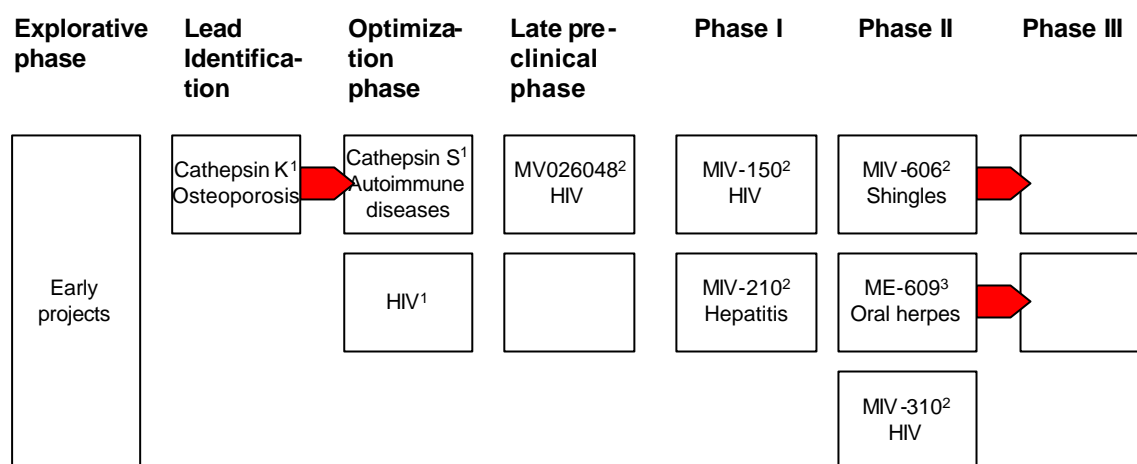
For participation please dial +44 (0)20 8781 0562, code medivir. The teleconference will be recorded and saved for 7 days. To reach the recorded version please dial +44 (0)20 8288 4459 and use code 670 812 from 17.00 SE time.

For more information, please contact:


Jonas Frick, CEO, +46 (0)8 608 3117

Rein Piir, CFO/VP IR, +46 (0)8 608 3123, +46 (0)70 853 7292

MEDIVIR'S PROJECT PORTFOLIO



- 1 Protease inhibitor
- 2 Polymerase inhibitor
- 3 Polymerase inhibitor combination

 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 in 2001

MIV-606 against shingles

Efforts to develop a synthesis methodology for large-scale production, and the optimization of a tablet formulation proceeded favorably. Moreover, an evaluation of tablets versus a suspension in a clinical phase I trial has been performed with positive results. Initiatives to identify a partner for further development of MIV-606 are now in an intensive phase.

ME-609 against oral herpes

The US patent for ME-609 was approved in the first quarter, with the definitive results of phase II trials reported in spring 2001. ME-609 is the first pharmaceutical to demonstrate prevention of the incidence of cold sores with early treatment. These results are the foundation for Medivir's formulated strategy ahead of phase III trials and registration. Activities ahead of forthcoming outlicensing began in late 2001.

MIV-310 against multiresistant HIV

A compilation of IND (investigational new drug) documentation comprising summarized clinical data, patient risk/benefit analysis and selection of investigator has been completed. Ethical Committee approval was received for a phase IIa trial to begin, planned to demonstrate antiviral efficacy on patients with multi-resistant HIV at a toxicologically acceptable dosage. This trial, which is a conceptual test, will involve the monitoring of multi-resistant HIV levels during one month's treatment with MIV-310. The treatment is administered as a supplement to ongoing standard treatment. Medivir will be able to use data from previous phase I and II trials regarding substance safety. Phased IIa trials began in October, and continue. The next developmental stage is the evaluation, report of results, and Medivir will embark on efforts to outlicense the project.

MIV-210 against HBV (hepatitis B virus)

Preclinical efficacy trials demonstrated that at dosages of 6 mg/kg/d (equivalent 1-2 mg/kg/d in humans) and day, MIV-210 elicits a significant reduction in virus levels. In comparative trials on the same model, MIV-210's efficacy was superior to lamivudine, the market's predominant HBV drug, while also reducing HBV amounts significantly. The production methods for the MIV-210 substance have been enhanced, resulting in a better yield and reduced production costs. Phase I trials demonstrated MIV-210's very good oral absorption when administered in capsules, and no side-effects were observed. Preclinical efficacy and toxicology trials are currently underway. The next phase is to compile all data in a prospectus as supporting data for the project's forthcoming outlicensing.

MIV-150 against HIV

Chiron is undertaking phase I trials with multiple dosages, with parallel *in vitro* and *in vivo* metabolism trials indicating low risk of interaction with other drugs. Enhanced formulations with increased bioavailability have been examined with promising results.

Medivir's preclinical research in 2001

General summary

In 2001, polymerase-related preclinical research progressed from an exclusive focus on viruses to the entire infection sphere, where Medivir's research is oriented on activities including bacterial infections.

Protease research has also become significant within non-infectious diseases, and during the year, Medivir has progressed further in the immunological diseases sphere, where autoimmune deficiencies are a highly significant sub-segment.

Medivir's preclinical research underwent a positive year, entering several broad-based, exploratory-phase agreements to ensure the supply of future projects. Meanwhile, Medivir has made several major advances in its existing projects, such as the selection of a HIV-CD.

Medivir has defined four preclinical research phases, stated in the visual on page 2. In the first exploratory phase, a multiplicity of activities are maintained. This early-phase research is primarily oriented towards infectious and immunological diseases, but also has other focuses, such as the proteases involved in Alzheimer's Disease.

Activities in the exploratory phase are pursued autonomously, through partnerships with corporations or collaborations with universities or similar institutions. Medivir has just over ten such activities in the exploratory phase at present.

The exploratory operation harbors independent HIV and RSV (respiratory syncytial virus) activities, RSV being responsible for infections in the nose and throat of adults, and which in children, develops into serious bronchial catarrh. Medivir is also pursuing collaborative projects concerning HCV (hepatitis C virus), immunological diseases, bacterial infections and an Alzheimer's collaboration with the Karolinska Institute, Stockholm, Sweden.

80% of preclinical resources are prioritized on Medivir's four preclinical projects: MV026048 HIV polymerase, HIV protease, Cathepsin S against RA and MS (multiple sclerosis) within immunological diseases and Cathepsin K against osteoporosis. This focusing will enable Medivir to select CDs' repeatedly for outlicensing.

The highlights of Medivir's preclinical research in 2001

Infectious diseases

CD selected within HIV-NNRTIs

HIV research remains a major, crucial activity for Medivir, and in autumn 2001, Medivir's preclinical research made a breakthrough with a substance in the NNRTI pharmaceuticals group. The substance MV026048, a very powerful HIV polymerase inhibitor, was selected as a CD (candidate drug). NNRTI pharmaceuticals are becoming increasingly prevalent in combination therapy administered against HIV/AIDS. MV026048 has good efficacy against viruses that have become resistant to other similar substances. The CD is extremely potent, generating an effect in very small amounts, with just 0.5 nanomolar concentration being necessary to inhibit virus multiplication, which is far lower than other substances. MV026048 is easy to administer orally with highly efficient absorption. The project is in a late preclinical developmental phase.

HCV collaboration with Chiron Corporation

Medivir and Chiron initiated a collaboration within HCV (hepatitis C virus) infections in August. Chiron is screening Medivir's substance library with its battery of HCV tests.

The validation of potential active substances and their usage for researching the structure-activity relationship will proceed for one year initially, with Chiron then gaining an option to continue the collaboration, while offering research support.

The collaboration includes Chiron gaining an option on exclusive global rights, and if it exercises this option, this may result in Medivir receiving over USD 10 m in licensing and milestone payments for products developed towards NDA (new drug application), with Medivir also receiving royalties on future product sales.

Bacterial infection collaboration

Since the autumn, Medivir has been in collaboration with scientists at Bart's, and the London School of Medicine, Queen Mary College, the University of London in the development of new antibiotics—an arrangement funded by the UK Department of Trade and Industry (in its Applied Genomics initiative), the UK's Medical Research Council and Medivir.

This project is founded on the expertise within Queen Mary Hospital in identifying and validating microorganism proteases as target enzymes for pharmaceuticals. Medivir is using its pharmaceuticals knowledge and technology platforms—such as RAPiD—in the protease sphere to develop new antibiotics.

This project is intended to prepare a new methodology to develop protease inhibitors as antibiotics against *Mycobacterium tuberculosis*, *Helicobacter pylori*, *Pseudomonas aeruginosa* and *Staphylococcus aureus*, which is founded on in-depth knowledge of the genetics of these bacteria, each of which cause extremely substantial numbers of infections and are becoming progressively harder to treat because of growing resistance to current antibiotics. The genome of these four pathogenic bacteria will be examined to identify those genes that code for proteases usable as target enzymes for pharmaceuticals development. Expressions of these genes in relevant disease models will be analyzed, as will the consequences of isolating the genes from the bacteria, offering information on those proteases useable as target enzymes for drugs. Medivir will use these proteases to produce new inhibitors using its unique substance library specifically intended to inhibit various proteases in order to select new CDs.

Immunological diseases

RA research breakthrough

In December, Medivir and Peptimmune—a Genzyme General business area—announced that an orally active low-molecular inhibitor of the protease enzyme cathepsin S suppresses the development of arthritis in a model of this disease. This discovery will enable the development of pharmaceuticals against RA based on an entirely novel mechanism.

In a model, various dosages of this inhibitor obstructed the development of arthritis without causing any apparent signs of side-effects. This independent research—undertaken at the William Harvey Research Institute, St Bartholomew's and the Royal London School of Medicine and Dentistry—revealed positive results in this new means of treating RA. The project is in its preclinical optimization phase.

Extant pharmaceuticals merely treat the *symptoms* of RA, rather than influencing the underlying causative autoimmune mechanism. Accordingly, there is an extensive and unsatisfied need for new types of drug to prevent the development of this everyday, chronic and disabling illness.

Osteoporosis

The skeleton is subject to a continuous turnover. During growth and healing of a bone fracture, for example, formation of new bone dominates, while during certain diseases and old age degradation of bone dominates. The enzyme cathepsin K is responsible for bone degradation. This means that degradation can be prevented by a compound inhibiting or blocking cathepsin K. This mechanism has been shown in several models. Degradation of bone decreases markedly if the enzyme is blocked, which means that by inhibiting cathepsin K it ought to be possible to restore the balance between formation and degradation of bone and thereby avoid osteoporosis. Medivir's research on cathepsin K is a collaboration with researchers at St Georges Hospital Medical School in London. The project has made great progress in identifying model compounds and is on its way into the optimizing phase.

CCS

The CCS group comprises the companies CCS AB, CCS (UK) Ltd and Nordic Care Sweden AB (NCS). The CCS group maintained robust turnover growth in the year, with net sales up 63%, and operating profit rising to SEK 16.4 m. CCS' continued positive sales performance is due to the brisk progress of its proprietary products, that NCS body-care products have been included in the CCS group since 1 January 2001 and CCS have extended the contract manufacturing in the skin-care business area.

Operating profit during the year was subject to costs for the integration of Nordic Care AB and costs for the forthcoming take-over of AstraZeneca eye-care products, plus the sub-contract manufacture of Nezeril.

In addition to the launch of proprietary products, efforts have been centered on an investment program designed to start producing and selling eye-care products acquired from AstraZeneca, and the forthcoming contract manufacture of Nezeril, starting in 2002. Some minor restructuring measures were undertaken within NCS through the year.

Medivir's consolidated turnover and costs

The group

Consolidated net sales for the year amounted to SEK 125,891,000 (110,365,000); operating costs grew to SEK -279,790,000 (-213,771,000), which included SEK -3,366,000 (-2,979,000) of goodwill amortization. The net financial position was SEK 13,477,000 (15,497,000) of which SEK 3,006,000 (960,000) comprised exchange rate gains. Profit after financial items was SEK -139,418,000 (-85,373,000).

Medivir

The net sales of Medivir's research operation—encompassing Medivir AB and Medivir (UK) Ltd (consolidated from April 2000 onwards)—were SEK 153,000 (33,479,000) for the period. The turnover downturn was due to Medivir receiving remuneration for a preclinical project in 2000. Operating costs were SEK -166,132,000 (-146,619,000) distributed between external costs of SEK -85,051,000 (-89,392,000), personnel costs of -67,388,000 (-48,866,000) and depreciation of SEK -13,694,000 (-8,362,000).

The primary reason for the increased personnel costs is more researchers being hired in 2000, exerting its effect on annualized figures in 2001. Depreciation increased mainly because of investments in new research equipment, and the completion of Medivir AB's combinatorial chemistry and HTS (high throughput screening) premises in 2000. Operating profit was SEK -165,947,000 (-112,968,000), with the profit downturn mainly as result of lower turnover and increased employee headcount, with the related increase to research costs. Profit after financial items was SEK -152,579,000 (-97,419,000); staffing increased by nine in the year, of which eight are researchers.

CCS

From January 2001 onwards, the CCS group comprises CCS AB, Nordic Care Sweden AB and CCS (UK) Ltd. CCS' net sales were SEK 126,422,000 (77,692,000). CCS' operating profit (incl. Nordic Care Sweden AB and CCS (UK) Ltd) stood at SEK 16,418,000 (15,035,000); profit after financial items was SEK 16,526,000 (14,984,000). Of CCS AB's product sales, 36.8% (29.9%) comprised contract manufacture, and 14.2% (20.0%) export sales.

The sales gains were due to the positive sales performance of CCS' proprietary products. Nordic Care's (formerly Jillprodukter) body-care products have been consolidated in the CCS group's figures since January 2001 and CCS have extended the contract manufacturing during the year. Moreover, the OTC pharmaceutical Karbasal, launched in late 1999, is maintaining brisk sales. Operating profit during the year was subject to costs for the integration of Nordic Care AB and costs for the forthcoming take-over of AstraZeneca eye-care products, plus the sub-contract manufacture of Nezeril.

The CCS group's staff headcount grew by over 40, the consequence of factors including the extended contract manufacturing, staff for the forthcoming production of Nezeril and eye-care products and the acquisition of NCS AB.

Financial position

Consolidated liquid assets including short-term investments amounted to SEK 182,732,000 (342,784,000), with the market value of listed equities, of SEK 15,554,000 (14,777,000), being additional. As of 31 December, there were interest-bearing liabilities of SEK 953,000 (0). Shareholders' equity was SEK 361,179,000 (497,166,000). The consolidated equity ratio was 88.1%, against 90.3% as of 31 December 2000.

Investments

Gross investments in consolidated tangible fixed assets were SEK 31,342,000 (43,541,000) in the period, with the bulk of these investments relating to the acquisition of research

equipment within Medivir, the conversion and extension of production and office accommodation and the acquisition of production equipment for CCS.

Accounting principles

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

Human resources

The number of employees in the Medivir group increased to 212 (161) people in 2001, with 99 staff active in Medivir's two research enterprises. The average number of full-time salaried staff in the group was 179 (122) in the year.

The share

At year-end 2001, there were 8,288,122 outstanding shares: 660,000 class A shares and 7,628,122 class B shares.

The number of outstanding options is 313,400, and upon their full exercise, the total number of shares would be 8,601,522.

Dividends

The Board proposes no dividends for the financial year 2001.

Annual General Meeting

The AGM will be held at the Wenner-Gren Center, at Sveavägen 166, Stockholm, Sweden, on 9 April 2002 at 5 pm.

Nomination Committee

Nomination proposals for new Board members are referred to the nomination committee, comprising Lars-Göran Andrén, Lennart Philipson (+46 (0)8 728 7333), Bo Öberg and Björn Lind of SEB Mutual Funds.

Outlook

Medivir has expanded its research operations during 2000 and 2001. A part of this expansion was the acquisition of Medivir UK during 2000. Medivir now has the critical mass needed for effective preclinical research. Medivir's capability to develop and deliver CD's and create partnerships is crucial for the company's future. Future partnerships will continue the development of Medivir's projects towards their entry to the market, also generating revenues in terms of down payments, milestones and on longer term royalties.

Our commercial focus will remain on creating new partnerships of various kinds. Medivir has strengthened the business development team during the latter part of 2001. It is not possible to give guidance on the timing of future partnerships, but they will have a major impact on Medivir's future revenues as well as cash flow. The research costs for 2002 will be in line with 2001 while CCS' sales are expected to develop positively as will its profitability.

Profit prognosis

As it is difficult to determine the timing of future out-licensing and partnerships Medivir is unable to give any profit prognosis for 2002.

Medivir
The Board
Huddinge, Sweden, 15 February 2002

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

CONSOLIDATED INCOME STATEMENT

Summary, SEK 000

	2001 Jan-Dec	2000 Jan-Dec	1999 Jan-Dec
Turnover etc.			
Net sales	125,891	110,365	189,400
Change in inventories	805	1 181	1 275
Capitalized work on behalf of other parties	0	472	0
Other turnover	199	882	806
Total turnover	126,895	112,900	191,481
Operating costs			
Raw materials and supplies	-53,789	-30,736	-29,287
Other external costs	-104,604	-101,525	-92,756
Personnel costs	-100,096	-66,689	-44,245
Depreciation	-21,302	-14,821	-8,814
Total operating costs	-279,790	-213,771	-175,102
Operating profit	-152,895	-100,870	16,379
Profit from financial investments			
Profit from other securities and receivables	213	162	226
Other interest income etc.	13,433	15,435	4,739
Interest costs etc.	-168	-100	-36
Total profit from financial investments	13,477	15,497	4,929
Profit after financial items	-139,418	-85,373	21,308
Tax *	3,625	1,018	164
Net profit	-135,793	-84,355	21,472

* The group has accrued tax-deductible losses of at least SEK 250 m for 2001.

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

CONSOLIDATED BALANCE SHEET

Summary, SEK 000

	2001	2000	1999
	31-Dec	31-Dec	31-Dec
Assets			
Fixed assets			
Intangible fixed assets	37,270	40,637	26,481
Tangible fixed assets	110,948	96,606	51,225
Financial fixed assets	3,130	3,321	3,133
Total fixed assets	151,348	140,565	80,839
Current assets			
Inventories	50,306	42,082	36,094
Current receivables	25,734	24,967	13,583
Short-term investments	163,544	327,621	127,008
Cash and bank balances	19,188	15,163	20,617
Total current assets	258,772	409,834	197,302
Total assets	410,120	550,398	278,141
Liabilities and shareholders' equity			
Restricted equity	570,704	575,755	237,233
Accumulated deficit/non-restricted equity	-209,525	-78,588	1,245
Total shareholders' equity Note 1	361,179	497,166	238,478
Provisions	4,494	5,260	6,245
Long-term liabilities	953	0	0
Current liabilities	43,494	47,972	33,418
Total liabilities and shareholders' equity	410,120	550,398	278,141
Note 1			
Change in shareholders' equity (SEK 000)	Restricted equity	Accumulated deficit/ non-restricted equity	Total shareholders' equity
Balance sheet, 31 Dec 2000	575,755	-78,588	497,166
Transfer between restricted and non-restricted reserves	-5,064	5,064	0
Option conversion	13		13
Translation difference		-207	-207
Net profit		-135,793	-135,793
Balance sheet, 31 Dec 2001	570,704	-209,525	361,179

CONSOLIDATED INCOME STATEMENT
Summary, SEK 000

	2001	2000	1999
	Oct-Dec	Oct-Dec	Oct-Dec
Turnover etc.			
Net sales	29,216	31,779	36,774
Change in inventories	1,221	-144	948
Capitalized work on behalf of other parties	0	472	0
Other turnover	72	570	45
Total turnover	30,508	32,677	37,767
Operating costs			
Raw materials and supplies	-14,086	-7,175	-7,560
Other external costs	-26,368	-38,045	-19,169
Personnel costs	-28,269	-19,277	-14,569
Depreciation	-5,408	-4,968	-2,203
Total operating costs	-74,131	-69,465	-43,501
Operating profit	-43,623	-36,787	-5,734
Profit from financial investments			
Profit from other securities and receivables	63	-129	226
Other interest income etc.	3,522	4,957	1,291
Interest costs etc.	29	-13	11
Total profit from financial investments	3,614	4,815	1,528
Profit after financial items	-40,009	-31,972	-4,206
Tax	3,625	1,018	164
Net profit	-36,384	-30,954	-4,042

CONSOLIDATED CASH FLOW STATEMENT

Summary, SEK 000

	January- Dec 01	January- Dec 00	January- Dec 99
Ongoing operations			
Operating profit after financial items	-139,418	-85,373	21,308
Adjustment for items not included in cash flow:			
Depreciation and write-off	22,846	14,821	8,814
Exchange rate and translation differences	-1,599	-199	0
Capital gains(-)/loss (+) on divested fixed assets	109	-95	-12
Tax paid	-1,431	-627	9
Cash flow from ongoing operations before change in working capital	-119,492	-71,473	30,119
Change in working capital	-12,039	-3,164	-7,971
Cash flow from ongoing operations	-131,531	-74,637	22,148
Investment activity			
Acquisitions of tangible fixed assets	-31,342	-43,541	-8,194
Acquisitions of financial fixed assets	0	-873	0
Disposals of tangible fixed assets	62	140	337
Disposals of financial fixed assets	3	0	0
Increase in long-term receivables	0	-188	0
Received contribution	1,789	0	0
Cash flow from investment activity	-29,487	-44,463	-7,857
Financing activity			
Financial payments	13	314,258	0
Increase of long-term debts	953	0	0
Cash flow from financing activity	966	314,258	0
Cash flow for the period			
Liquid assets, opening balance*	342,784	147,625	133,334
Change in liquid assets	-160,052	195,159	14,291
Liquid assets, closing balance*	182,732	342,784	147,625

* Liquid assets refer to cash, bank balances and short-term investments.
Besides this Medivir holds some listed equity amounting to 15,554 (14,777)
year end.

KEY FIGURES

	2001 Jan-Dec	2000 Jan-Dec	1999 Jan-Dec
Return on :			
-equity, %	-31.64	-22.93	9.60
-capital employed, %	-32.48	-23.18	9.50
-total capital, %	-28.99	-20.58	8.30
Ave. no. of shares, 000s	8,288	7,472	6,626
No. of shares at end of period, 000s	8,288	8,288	6,655
Outstanding warrants, 000s	313.4	240.4	333.5
Earnings per share, SEK	-16.38	-11.29	3.24
Shareholders' equity per share, SEK	43.58	59.99	35.83
Cash flow per share after investments, SEK	-19.43	-15.94	2.16
Earnings per share, SEK*	-15.57	-10.72	3.33
Shareholders' equity per share, SEK*	48.14	64.01	41.79
Equity ratio, %	88.07	90.33	85.70

For the EPS forecast for 2002, please refer to "Outlook" and "Profit Prognosis" under the section on Medivir's consolidated turnover and costs.

* After full utilization of outstanding warrants.

The Medivir group

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. Research and development are pursued at Cambridge, UK and Huddinge, Sweden.

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.

Medivir has been quoted on the Stockholm Stock Exchange O-list since 1996. Its research portfolio comprises projects against HIV, jaundice, shingles, cold sores, osteoporosis, asthma, MS and RA. Medivir has five projects in clinical development phases, two of which are entering phase III after completing phase II. Two projects are in phase I and one 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.

More information on Medivir is available at www.medivir.se