



MEDIVIR, INTERIM REPORT, 1 January - 30 September 2006

- License agreement signed with Bristol-Myers Squibb for MIV-170 with a total contract value of USD 104.5 m.
- MIV-606 outlicensed to a total contract value of USD 24,5 m and shares in Epiphany Biosciences.
- Phase III study on Lipsovir® (ME-609) against labial herpes started in July, 25% of patients in the study treated in the third quarter.
- Consolidated net sales in 1 January-30 September 2006 totaled SEK 88.1 (41.0) m, of which continuing operations represented SEK 31.8 (41.0) m and discontinued operations SEK 56.3 (0) m.
- The loss after tax amounted to SEK -115.0 (-112.6) m; earnings per share were SEK -8.91 (-8.72).

FOR MORE INFORMATION, PLEASE CONTACT

Rein Piir, CFO and VP, Investor Relations: +46 (0)8 546 83123 or +46 (0)70 853 7292.

FORTHCOMING FINANCIAL INFORMATION

The Financial Statement for 2006 will be published on 14 February 2007.

The Three-month Interim Report will be published on 24 April 2007.

The Annual General Meeting will be held on 24 April 2007.

Medivir's financial reports are available on its Website, www.medivir.se from these dates under the 'Investor/Media' heading.

The Medivir group

Medivir develops drugs against major, widespread diseases based on proteases as targets. The objective is to be a sustainable, profitable research-based pharmaceutical company with products on the market developed in-house. Medivir is located in Huddinge, Sweden and at Chesterford Research Park, Essex, UK.

The group consists of Medivir AB and its subsidiaries Medivir UK Ltd., Medivir HIV Franchise AB and Medivir Personal AB. As of 30 September 2006, the group had 134 employees. Medivir was listed at Stockholm Stock Exchange in 1996.

Medivir's prioritized research portfolio includes projects against hepatitis C, labial herpes, osteoporosis, osteoarthritis, RA (rheumatoid arthritis), COPD (chronic obstructive pulmonary disease), MS (multiple sclerosis) and autoimmune disorders. Medivir has seven individual projects in development, one of which is in phase III. Medivir HIV Franchise AB manages the outlicensing/divestment of Medivir's polymerase-based projects against HIV, hepatitis B and shingles.

Medivir AB (publ), Lunastigen 7, 141 44 Huddinge, Sweden, tel: +46 (0)8 546 83100

SIGNIFICANT EVENTS IN JULY - SEPTEMBER

A number of license agreements have been entered during the year. Another two were signed in the quarter, consistent with the previously announced strategy. The first applied to the MIV-606 project against indications including shingles, which has been outlicensed to Epiphany Biosciences. The second agreement was entered with Bristol-Myers Squibb, who will manage global development and commercialization of MIV-170 outside the Nordic region for treating HIV-1 infections in adults.

MIV-606 outlicensed to Epiphany Biosciences

In September, Medivir AB and Epiphany Biosciences signed a license agreement on MIV-606 (valomaciclovir), Medivir's phase two compound, which has demonstrated good activity against varicella-zoster (VZV) and other viruses.

Pursuant to this agreement, Medivir will receive Epiphany Biosciences shares, milestone payments of a maximum of USD 24.5 m and royalties on worldwide sales apart from the Nordic countries where Medivir has retained market rights for all indications. Epiphany Biosciences will be responsible for MIV-606's onward clinical development.

MIV-170 outlicensed to Bristol-Myers Squibb for onward development globally

In September, Bristol-Myers Squibb and Medivir AB agreed global outlicensing for the development and commercialization of MIV-170, a preclinical NNRTI (non-nucleoside reverse transcriptase inhibitor) polymerase inhibitor, intended to treat HIV-1 infections in adults as a component of antiretroviral combination therapy.

The contract terms stipulated a USD 7.5 m up-front payment from Bristol-Myers Squibb to Medivir upon signing. Additionally, Medivir may receive pre-specified milestone payments during development and registration totaling USD 97 m, plus royalties up to double-digit levels on product sales during the collaboration's commercialization phase. Bristol-Myers Squibb will be responsible for global development and commercialization in all countries apart from the Nordic region, where Medivir has retained the rights for commercialization.

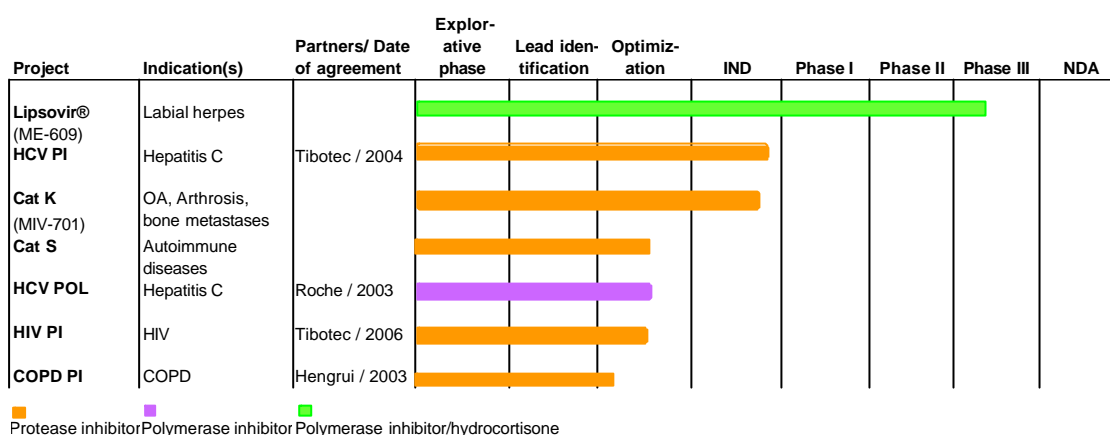
Lipsovir® (ME-609)

Phase III studies on Lipsovir® began in early July, several months earlier than expected. The studies are being conducted in the USA and Canada, and involve some 50 study centers. At the end of September, a quarter of the study's total patient base had been treated. These studies are scheduled for completion in autumn 2007, with the objective of securing FDA market approval in late-2008. Medivir's ambition is to also apply for marketing approval on other key markets in 2008 at the latest.

MEDIVIR'S PRIORITIZED PROJECT PORTFOLIO

Medivir's prioritized project portfolio consists of Lipsovir® (previously ME-609) against labial herpes and protease projects against hepatitis C, osteoporosis, osteoarthritis, bone metastases, rheumatoid arthritis, multiple sclerosis, HIV, COPD and the polymerase inhibitor project against hepatitis C licensed by Roche.

Additionally, early protease research activities are being conducted in collaboration with partners or in networks with a range of universities. These activities are intended to provide new ideas for Medivir, thus safeguarding the long-term generation of projects.



CLINICAL PROJECTS

Lipsovir®—phase III study started in early July

Lipsovir® (ME-609) is a project against labial herpes conducted by Medivir in-house. Data from a phase II study on the **labial herpes** (cold sores) indication demonstrates that upon early treatment onset, Lipsovir® can prevent the incidence of cold sores and lesions. These study results indicate that Lipsovir® is superior to existing drugs for treating cold sores.

This project features low development risk, and has the potential to offer patients treatment that prevents the incidence of herpes cold sores for the first time.

Medivir began the pivotal phase III study in early-July, which is a few months faster than previously expected. The study is being conducted in North America at nearly 50 study centers.

The purpose of the study is to demonstrate that Lipsovir® prevents the incidence of cold sores and lesions. Nearly 1,300 patients will be treated, and as of 30 September, 25% of the patients in the study had undergone treatment with either Lipsovir®, acyclovir or placebo. Two smaller-scale studies, which apart from the pivotal study, will be included in a planned NDA (New Drug Application) will also start this year.

In 2006, the estimated cost of phase III studies is some SEK 45 m. Medivir considers that market approval from the FDA may be received in late-2008.

Lipsovir® recently secured consolidated and extended patent protection in the US, which applies until 2020.

PRECLINICAL PROJECTS

HCV PI—advances towards clinical studies

In late 2004, Medivir outlicensed this project to Tibotec, a Johnson & Johnson group company. The project is based on several mutually independent compound classes with very attractive characteristics.

The designation of a CD in December 2005 means that the project is now in its preclinical development phase at Tibotec, with clinical studies as its next milestone. Medivir's research is currently targeted on identifying what are termed follow-up compounds.

Medivir's and Tibotec's projects in the hepatitis C segment are continuing to make very positive progress, resulting in Tibotec extending its collaboration agreement and research support until at least July 2007. Within the auspices of this agreement, Medivir is receiving finance for a considerable number of researchers, who remain active on the project.

In addition to this project finance, the agreement may raise a maximum of another EUR 68.5 m for Medivir in various milestone payments, of which EUR 11.5 m has been received.

Additionally, Medivir will receive royalties on global sales outside the Nordic region, where it has retained rights, and where it intends to conduct sales in-house. At an agreed time, this deal also encompasses product rights in the Nordic region for one drug with a defined product profile from the Johnson & Johnson group.

Cathepsin K—several clinical indications evaluated

The enzyme **Cathepsin K** is considered to play a central role in diseases like osteoporosis, osteoarthritis and metastasing skeletal cancer. Medivir designated a CD, MIV-701 in 2005, a selective, potent inhibitor of the protease Cathepsin K, for development against indications including osteoporosis. MIV-701 is in preclinical development, where the development of large-scale synthesis and the production of high compound volumes are being successfully conducted, and where safety studies are now in a late stage. Medivir intends to initiate phase Ia studies on MIV-701, and after concluding phase Ia, conduct parallel phase Ib studies, against osteoporosis, osteoarthritis and bone metastases.

MIV-701 has demonstrated good efficacy in a preclinical *in vivo* model of osteoporosis, and moreover, enjoys very promising pharmacokinetic characteristics such as a long half-life and high bioavailability, which are prerequisites for treatment with a single daily tablet. MIV-701 demonstrated dosage-dependent, potent inhibition of Cathepsin K-mediated metabolism of type I collagen (a key component of bone) in a human osteoclast bone resorption model. The objective of this program is to develop compounds that reduce the resorption of skeletal tissue, and restore the balance between the formation and resorption of bone. In clinical studies, Cathepsin K inhibitors have recently demonstrated both significant reduction of skeletal resorption and retained skeletal formation, resulting in increased bone mineral density. Overall, this is expected to lead to increased skeletal strength and result in the reduced incidence of fractures. The fast onset and cessation of effect on skeletal resorption constitute a major competitive edge on the most commonly used anti-osteoporosis drugs, bisphosphonates, whose residual effect may remain for several years after treatment concludes. Accordingly, this therapy is reversible, implying that its effect ceases if the patient stops therapy, and is therefore suitable for other types of combination therapy. The concept of inhibiting Cathepsin K for treating osteoporosis has been studied by Novartis and Merck in phase II studies, with efficacy validated in humans.

Cathepsin K inhibitors are also considered to have sizeable potential as drugs against osteoarthritis, because they prevent cartilage breakdown and protect against the pathological resorption of cartilaginous tissue, which protects the bone sections affected by osteoarthritis.

Inhibiting Cathepsin K activity is also expected to be highly significant for the treatment and prevention of bone metastases in certain types of cancer. Cancers that metastase to bone over-express Cathepsin K, enabling the cancer cells to secure in the bone, and thus spread into skeletal tissue.

Medivir intends to begin phase Ia studies in early 2007, followed by phase Ib studies in late-2007. After conducting phase Ib studies, Medivir's strategy for MIV-701 is to find an industrial partner to take the project on towards market registration.

In addition to MIV-701, Medivir has an extensive program whose objective is to develop new types of Cathepsin K inhibitors as follow-ups and/or complements to MIV-701.

This program is in its late optimization phase, and activities are underway on evaluating efficacy in a range of test models that simulate various diseases. These results will be the basis for ongoing activities to optimize the structural compound classes now in development. If the results of current activities are positive, a new CD may be designated in 2007.

Cathepsin S—focusing on autoimmune disorders and chronic pain

Cathepsin S plays a central role in the undesired activation of the immune system, and accordingly, inhibition of this enzyme is expected to constitute a major target for developing new drugs against severe diseases such as rheumatoid arthritis (RA), multiple sclerosis (MS) and chronic pain.

Medivir's project is oriented on developing a new drug class for treating autoimmune disorders focusing on RA and MS by inhibiting the activity of the protease Cathepsin S, which is present in some immune cells. This results in the desired suppression of the over-activated immune system associated with these disorders. Medivir's model compounds have demonstrated very promising efficacy in preclinical efficacy models of RA and MS. In preclinical models on chronic pain, Medivir has also been able to demonstrate a desired effect. However, the underlying mechanism of this effect has not been fully demonstrated yet.

In 2004, Medivir designated a CD, MV057471. Now, however, the development of this compound has been concluded, and Medivir's activities are focused on newly developed an entirely different compound classes. These compounds, whose optimization phase began in the second quarter 2005, have demonstrated what in many respects are more selective and superior characteristics to MV057471. Activities are now targeted on arriving at the pre-designation of CDs, the development phase involving the screening and evaluation of several different compounds. Subsequently, the intention is to develop one or more compounds towards the designation of a CD.

MMP—protease inhibitor against chronic obstructive pulmonary disease (COPD)

In collaboration with a French research institution, Medivir evaluated a Medivir compound in a preclinical test model against COPD, generating positive efficacy data. Medivir's new protease inhibitor demonstrated high efficacy in this disease model, reducing the release of inflammatory biomarkers that are characteristic of COPD.

This project is being conducted alongside Chinese drug corporation Hengrui, with the objective of designating one or more CDs for onward development towards the clinic. This project is now in its preclinical optimization phase.

HIV PI—now in optimization with Tibotec

The HIV PI drug project is targeted at inhibiting HIV’s protease enzyme and is in its preclinical optimization phase. The project has been brought from its idea stage to outlicensing in approximately one year. The compounds Medivir has produced in its HIV PI project so far have very promising characteristics.

Alongside Tibotec, Medivir will continue to develop compounds on this project ahead of a future CD designation. Tibotec is paying pre-determined research support for Medivir’s continued involvement on the project.

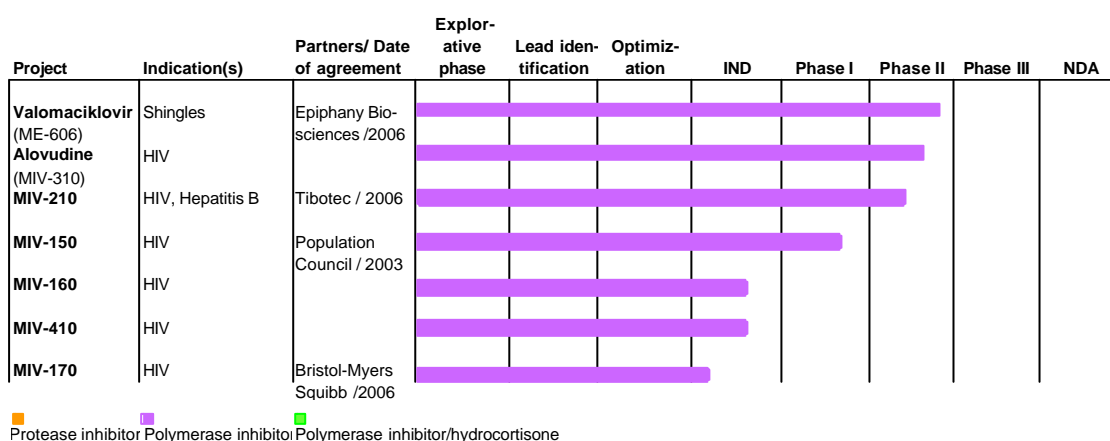
This agreement implies that Tibotec paid EUR 2 m on signing, followed subsequently by up to EUR 62 m subject to the successful achievement of specific predetermined milestones within preclinical research, clinical development and regulator processing. Medivir possesses the right to royalties from global sales of future products, apart from on the Nordic market, which Medivir has retained the rights to.

HCV POL—collaboration with Roche

Medivir has a collaboration agreement with Roche on the joint development of drugs (polymerase inhibitors) against chronic **hepatitis C** (HCV). This research collaboration is based on the development of new compounds known as nucleoside analogues, which inhibit hepatitis C virus polymerase, and thereby prevent virus replication.

The project is in its preclinical optimization phase, and promising compounds have now been produced, implying that Roche will develop them further with the objective of designating a CD. Medivir will receive milestone payments as the project progresses towards clinical studies. Medivir will also receive royalty income at market launch, where it has retained rights to the Nordic markets.

POLYMERASE-BASED PROJECTS—MEDIVIR HIV FRANCHISE AB



Medivir HIV Franchise AB is responsible for liquidating Medivir’s polymerase-based projects against HIV, HBV and shingles. The process of outlicensing and/or divesting these projects was

initiated in 2006, and so far, has generated licensing agreements for valomaciclovir (shingles) with Epiphany Biosciences, MIV-210 (HIV/hepatitis B) with Tibotec and MIV-170 (HIV) with Bristol-Myers-Squibb. Work on outlicensing and/or divesting other projects continues.

Valomaciclovir (MIV-606)—outlicensed to Epiphany Biosciences

In phase IIa studies, the polymerase inhibitor valomaciclovir (NRTI) has demonstrated efficacy and safety on patients with shingles caused by VZV. MIV-606 is also an effective inhibitor of other herpes viruses, which are increasingly associated with various disorders such as Chronic Fatigue Syndrome (ME), MS and the accelerated development of HIV/AIDS.

Medivir outlicensed this project to Epiphany Biosciences in September, which will be responsible for, and fund, its ongoing clinical development, primarily for the shingles indication.

Pursuant to this agreement, Medivir receives Epiphany Biosciences shares, maximum milestone payments of USD 24.5 m and royalties on worldwide sales, apart from the Nordic countries, where Medivir has retained the rights for all indications.

Alovudine (MIV-310)—patent application filed for combination therapy

MIV-310 is a project developed to treat patients with multiresistant HIV. Boehringer Ingelheim concluded clinical phase IIa studies on MIV-310 (alovudine) against HIV/AIDS in 2005. Although the studied dosages of MIV-310 demonstrated antiviral efficacy, at a dosage of 2 mg, they did not match Boehringer Ingelheim's predetermined target level, and accordingly, the agreement with Medivir was concluded. In laboratory tests, the combination of MIV-310 and AZT has demonstrated synergetic efficacy against HIV and antagonistic toxicity. The mechanism for this antagonistic toxicity has been examined, and a new patent application filed.

MIV-210—hepatitis B and HIV therapy in collaboration with Tibotec

As part of the divestment of Medivir's polymerase inhibitors, a licensing agreement has been entered with Tibotec regarding antiviral compound MIV-210 against hepatitis B and HIV.

Tibotec paid an up-front fee of USD 0.5 m on signing the agreement in June, which may be followed by up to USD 29.5 m subject to the achievement of predetermined milestones within clinical development and regulator processing. Medivir possesses the right to royalties from global sales of a future product, apart from on the Nordic market, which Medivir has retained the rights to.

MIV-150—Population Council funding clinical studies

Medivir has voluntarily donated the rights for topical use of MIV-150 in a vaginal microbicide in developing countries to the Population Council, a New York-based non-profit organization. The Population Council will be responsible for the development and funding of forthcoming clinical studies. Medivir has rights to sales in other markets, and Medivir has an option on exclusive rights on the Nordic markets. MIV-150 is currently in clinical phase I.

MIV-160—anti-HIV NNRTI

The polymerase inhibitor MIV-160 (HIV) is in preclinical development. However, Medivir has decided not to invest more resources on this project, but to outlicense or divest it consistent with its stated strategy.

MIV-170—outlicensed to Bristol-Myers Squibb

The MIV-170 project represents a new structural class in the NNRTI segment. The polymerase inhibitor MIV-170 has demonstrated excellent potency *in vitro*, and an enhanced resistance barrier in preclinical studies. Assuming positive data in forthcoming studies, MIV-170 may constitute a new therapy alternative for HIV patients.

Bristol-Myers Squibb will be responsible for global development and commercialization in all countries apart from the Nordic region, where Medivir has retained rights to commercialization. Medivir received a USD 7.5 m up-front payment from Bristol-Myers Squibb on signing the agreement, which also encompasses predetermined payments totaling USD 97 m linked to specific development and registration milestones, as well as up to double-digit royalties on product sales in the project's commercialization phase.

MIV-410—polymerase inhibitor against SIV, HIV and cytomegalovirus

MIV-410 is an NRTI that demonstrates good efficacy against SIV (simian immunodeficiency virus) and HIV-2 infections in preclinical models. The compound has also demonstrated efficacy against cytomegalovirus (CMV) *in vitro*. The compound is in its preclinical development phase. Work on divesting or outlicensing this project continues.

MEDIVIR'S CONSOLIDATED TURNOVER AND COSTS

The group

Consolidated total net sales for continuing and discontinued operations amounted to SEK 88.1 (41.0) m for the interim period.

Consolidated net sales for continuing operations, encompassing Medivir AB and Medivir UK Ltd., were SEK 31.8 (41.0) m. The sales are mainly attributable to remuneration for research collaboration on HCV protease inhibitors from Tibotec Pharmaceuticals Ltd. The SEK 18.4 m (EUR 2 m) for the HIV PI project obtained in July 2006 will be allocated over the period of the collaboration agreement. This implies that the remuneration obtained when entering into the agreement will be taken up as revenue from Q3 2006 inclusive, pursuant to the estimated or determined contract term.

Operating costs for continuing operations were SEK -195.8 (-151.2) m, comprising external costs of SEK -108.0 (-60.7) m, personnel costs of SEK -74.6 (-75.1) m and depreciation and amortization of SEK -13.2 (-15.4) m. The increase in external costs is largely attributable to the ongoing phase III study for the Lipsovir® (ME-609) project. The operating loss for continuing operations was SEK -163.4 (-110.0) m, the net financial position was SEK 2.6 (7.2) m and the loss after financial items was SEK -160.8 (-102.8) m.

As reviewed earlier, in late December 2005, Medivir decided that activities on polymerase projects against HIV/hepatitis B and shingles would be outlicensed/divested. Net earnings of SEK 45.4 (-10.2) m have been accounted separately in the Income Statement as "discontinued operations". The net earnings comprise revenue largely attributable to the up-front payment from Bristol-Myers Squibb of SEK 54.5 (USD 7.5) m for the development and commercialization of MIV-170, a pre-clinical NNRTI polymerase inhibitor for the treatment of HIV-1 infection. The SEK 3.6 m (USD 0.5 m) obtained in July 2006 for the MIV-210 project will be allocated over the period of the collaboration agreement according to the same pattern as for the HIV PI project above. Costs incurred of SEK -10.9 (-10.2) m relate to all polymerase inhibitor projects that have been or will be outlicensed/divested.

The consolidated net loss amounted to SEK -115.0 (-112.6) m.

Medivir AB, corporate identity no. 556238-4361, parent company

Medivir AB's operations comprise research operations and group-wide administrative functions.

Parent company net sales for continuing operations amounted to SEK 38.9 (45.2) m, and as stated above, primarily comprised remuneration for research collaboration on HCV protease inhibitors from Tibotec Pharmaceuticals Ltd. and a portion of the revenue from the outlicensing of the HIV PI project.

Operating costs for continuing operations were SEK -175.7 (-138.5) m, divided between external costs of SEK -117.2 (-81.8) m, personnel costs of SEK -51.8 (-48.5) m and depreciation and amortization of SEK -6.7 (-8.1) m. The increase in external costs is largely attributable to the ongoing phase III study for the Lipsovir® (ME-609) project. The external costs item also includes SEK -35.4 (-43.0) m of remuneration to Medivir UK for contracted preclinical research conducted by Medivir UK. These costs are on market terms.

Operating profit for continuing operations was SEK -136.3 (-93.0) m, and profit after financial items and profit after tax was SEK -160.1 (-93.5) m. Profit after financial items includes a cost for covering Medivir UK Ltd.'s and Medivir HIV Franchise AB's losses of SEK -27.7 (-9.0) m.

As stated previously under "group", revenues and expenses relating to the polymerase projects that have been or will be outlicensed/divested have been accounted separately in the Income Statement as "discontinued operations".

Net earnings of SEK 46.0 (-10.2) m comprise earnings largely attributable to the up-front payment from Bristol-Meyers Squibb of SEK 54.5 m (USD 7.5 m) for the development and commercialization of MIV-170. The SEK 3.6 m (USD 0.5 m) obtained in July 2006 for the MIV-210 project will be distributed over the period of the collaboration agreement according to the same pattern as for the HIV PI project above. Costs paid of SEK -10.3 (-10.2) m relates to all polymerase inhibitor projects that have been or will be outlicensed/divested.

These projects have not been assigned any value in the Balance Sheet.

The parent company's net loss for the period amounted to SEK -114.1 (-103.7) m.

Liquid assets including short-term investments with a duration of a maximum of three months amounted to SEK 216.2 (323.4) m. Investments, mainly in research equipment and existing research premises, amounted to SEK 2.1 (9.7) m.

Financial position

Consolidated liquid assets including short-term investments with a maximum maturity of three months stood at SEK 216.9 (324.0) m. The group's total value of liquid assets including short-term investments with maturities of over three months is SEK 246.9 (324.0) m. As of 30 September, interest-bearing liabilities were SEK 11.5 (21.2) m. Shareholders' equity stood at SEK 263.7 (369.4) m; and the consolidated equity ratio was 74.5 (84.0)%.

Investments

Gross investments in consolidated intangible and tangible fixed assets amounted to SEK 3.3 (14.2) m in the period, mainly in research equipment and existing research premises. Medivir's future investments primarily comprise the acquisition of additional research equipment.

The share and stock options

There are a total of 12,902,611 outstanding shares, comprising 660,000 class A and 12,242,611 class B shares. The total number of outstanding options is 676,995, and upon full conversion, the total number of shares would be 13,598,306.

NOMINATION COMMITTEE, 2006 - 2007

In accordance with an Annual General Meeting resolution, the Election Committee for 2006-2007 will comprise representatives of at least the three largest shareholders at the end of the third quarter 2006, and the Chairman of the Board. The work of nominating candidates for the nomination committee is ongoing and will be completed shortly.

ACCOUNTING PRINCIPLES

The group

Medivir prepares its consolidated financial statements pursuant to IFRS, as endorsed by the EU. These are the same principles as applied in the Annual Report for 2005. Apart from the aforementioned IFRS, the group also observes RR's (Redovisningsrådet, the Swedish Financial Accounting Standards Council) recommendations RR 30 (complementary accounting standards for corporate groups) and RR 31 (interim reporting for corporate groups) and applicable RR Emerging Issues Task Force statements. The Interim Report has been prepared pursuant to IAS 34 Interim Financial Reporting.

Parent company

In its accounting, as previously, Medivir AB applies the principles applicable to legal entities that prepare consolidated financial statements and are listed on a stock exchange. Briefly, this implies the application of RR's recommendations to the extent they are applicable to a group parent company. Thus Medivir AB observes RR 32:2005 'Accounting for Legal Entities'.

Discontinued operations

In late-December 2005, Medivir decided that its HIV, hepatitis B (HBV) and shingles projects based on the older research platform of polymerase inhibition, would be outlicensed/divested. Accordingly, Medivir is accounting the polymerase projects that have been or will be outlicensed/divested pursuant to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, separately in its income statement. No assets or liabilities directly attributable to these projects existed as of 30 September, and accordingly, no divestment groups are accounted in the Balance Sheet. Revenues and costs attributable to these operations are accounted separately in the Income Statement as "discontinued operations".

Revenue, remuneration at the beginning of the agreements

Revenues, upfront payment

IAS 18 stipulates that up-front payments of licensing agreements, where there are also commitments remaining to conduct services on the licensor's part, are considered as advance payments for a right acquired by the buyer to utilize patented technology in the future. As a consequence, the licensor has not concluded its earning of revenues before the estimated or determined contract term expires. In cases where an agreement implies that Medivir has outstanding undertakings and/or is to provide services for the counterparty, Medivir allocates the remuneration of up-front payments received pursuant to the estimated or determined contract term.

OUTLOOK

Medivir's ability to produce new CDs, to enter partnerships on its projects, and to bring its development projects to market launches and sales, is decisive to its future. The progress of existing partnerships and securing new partnerships will exert a major influence on Medivir's revenues and cash position, although scheduling revenue flows is impossible.

Huddinge, Sweden, 23 October 2006.

The Board
Medivir AB

REVIEW REPORT

We have conducted a limited review of the interim financial statements for Medivir AB (publ) for the period 1 January – 30 September 2006. The preparation and presentation of these interim financial statements in accordance with the Swedish Annual Accounts Act and IAS 34 are the responsibility of the company's management. Our responsibility is to report our conclusions concerning these interim financial statements on the basis of our limited review.

We have conducted our limited review in accordance with the Standard for Limited Review (SÖG) 2410 *Limited review of interim financial information conducted by the company's appointed auditor*, issued by FAR. A limited review consists of making inquiries, primarily to individuals having responsibility for financial and accounting matters, as well as performing analytical procedures and taking other limited review procedures. A limited review has a different focus and significantly less scope than an audit according to Auditing Standards in Sweden, RS, and generally accepted auditing practice. The review procedures undertaken during a limited review do not enable us to obtain a level of assurance at which we would be aware of all important circumstances which would have been identified had an audit been conducted. Therefore, a conclusion reported on the basis of a limited review does not reach the level of certainty of a conclusion reported on the basis of an audit. Based on our limited review, no conditions have come to our attention which would give us reason to believe that the interim financial statements are not, in all material respects, prepared in accordance with the Swedish Annual Accounts Act and IAS 34.

Stockholm, Sweden, 23 October 2006

Liselott Stenudd
Authorized Public Accountant
PricewaterhouseCoopers AB

Peter Clemetson
Authorized Public Accountant
PricewaterhouseCoopers AB

CONSOLIDATED INCOME STATEMENT

SEK m

	2006 Jan-Sep	2005 Jan-Sep	2004 Jan-Sep	2005 Jan-Dec
Continuing operations				
Turnover, etc.				
Net sales	31.8	41.0	18.4	102.6
Other revenue	0.6	0.2	0.8	2.2
Total	32.4	41.2	19.2	104.8
Operating costs				
Other external costs	-108.0	-60.7	-68.7	-87.2
Personnel costs	-74.6	-75.1	-65.3	-99.5
Depreciation and amortization	-13.2	-15.4	-11.9	-20.2
Total operating costs	-195.8	-151.2	-145.9	-206.9
Operating profit	-163.4	-110.0	-126.7	-102.1
Profit from financial investments	2.6	7.2	4.1	8.3
Profit after financial items	-160.8	-102.8	-122.6	-93.8
Tax	0.4	0.4	0.4	3.2
Net profit from continuing operations	-160.4	-102.4	-122.2	-90.6
Discontinued operations				
Net profit from discontinued operations	45.4	-10.2	-10.1	-14.1 A)
Net profit	-115.0	-112.6	-132.2	-104.7
Earnings per share, SEK	-8.91	-8.72	-12.31	-8.10
Average number of shares, 000	12,903	12,903	10,746	12,903
Number of shares at end of period, 000	12,903	12,903	12,902	12,903

The group has estimated accrued tax-deductible losses of at least SEK 650 m until 2005 inclusive.

A) Specification of discontinued operations

MSEK	2006 Jan-Sep	2005 Jan-Sep	2004 Jan-Sep	2005 Jan-Dec
Revenue	56.3	0.0	0.0	0.0
Costs	-10.9	-10.2	-10.1	-14.1
Net profit from discontinued operations	45.4	-10.2	-10.1	-14.1

Discontinued operations include those polymerase inhibitor projects that have, or will be, outlicensed/divested.

CONSOLIDATED INCOME STATEMENT

SEK m

	2006 Jul-Sep	2005 Jul-Sep	2004 Jul-Sep
Continuing operations			
Turnover, etc.			
Net sales	13.3	13.8	5.9
Other revenue	0.0	-0.2	0.2
Total	13.3	13.6	6.1
Operating costs			
Other external costs	-44.8	-20.5	-21.9
Personnel costs	-23.0	-25.2	-20.6
Depreciation and amortization	-4.3	-5.1	-4.0
Total operating costs	-72.1	-50.8	-46.5
Operating profit	-58.8	-37.2	-40.4
Profit from financial investments	0.9	0.3	3.1
Profit after financial items	-57.9	-36.9	-37.3
Tax	0.1	0.1	0.1
Net profit from continuing operations	-57.8	-36.8	-37.2
Discontinued operations			
Net profit from discontinued operations	51.2	-2.4	-2.2
Net profit	-6.6	-39.2	-39.4

CONSOLIDATED BALANCE SHEET

SEK m

	2006 30 Sep	2005 30 Sep	2004 30 Sep	2005 31 Dec
Assets				
Fixed assets				
Intangible fixed assets	7.5	9.6	9.4	9.1
Tangible fixed assets	72.9	84.5	74.6	81.7
Financial fixed assets	0.0	0.0	1.8	0.0
Total fixed assets	80.4	94.1	85.9	90.8
Current assets				
Current receivables	26.8	21.8	15.5	63.3
Short-term investments	242.0	320.1	358.0	283.5
Cash and bank balances	4.9	3.9	65.6	18.3
Total current assets	273.7	345.8	439.1	365.1
Total assets	354.1	440.0	525.0	456.0
Liabilities and shareholders' equity				
Shareholders' equity	263.7	369.4	456.6	378.0
Long-term liabilities, interest-bearing	2.3	12.0	21.8	9.2
Deferred tax liability	1.7	2.2	2.6	2.0
Current liabilities, interest-bearing	9.2	9.2	9.2	9.2
Current liabilities, non interest-bearing	77.3	47.2	34.8	57.7
Total liabilities and shareholders' equity	354.1	440.0	525.0	456.0

STATEMENT OF CHANGES TO SHAREHOLDERS' EQUITY

SEK m

	2006 30 Sep	2005 30 Sep	2004 30 Sep	2005 31 Dec
Opening balance of shareholders' equity	378.0	475.7	274.8	475.7
Effect of revised principle, IAS 39	-	1.5	-	1.5
Exchange rate differences	-0.5	3.4	-0.6	3.3
Total revenue and costs accounted directly in shareholders' equity	-0.5	4.9	-0.6	4.8
Net profit	-115.0	-112.6	-132.2	-104.7
Total accounted revenue and costs	-115.5	-107.7	-132.8	-99.9
New issue	0.0	0.0	313.6	0.0
Staff stock option plans, value of employee service	1.2	1.4	1.0	2.0
Closing balance of shareholders' equity	263.7	369.4	456.6	378.0

CONSOLIDATED CASH FLOW STATEMENT

SEK m

	2006 Jan-Sep	2005 Jan-Sep	2004 Jan-Sep	2005 Jan-Dec	
Ongoing operations					
Profit after financial items	-115.4	-113.0	-132.7	-107.8	A)
<i>Adjustment for items not included in cash flow, etc.</i>					
Depreciation, amortization and write-downs	13.2	15.4	11.9	20.2	
Profit from financial investments	-2.6	-7.2	-4.1	-8.3	
Other adjustments	4.1	6.2	-3.9	2.8	
	-100.7	-98.6	-128.8	-93.1	
Interest, yields and dividends, etc.	-0.4	3.6	5.4	11.4	
Tax paid/received	-1.3	1.3	-1.0	1.9	
Cash flow from ongoing operations before change in working capital	-102.4	-93.7	-124.4	-79.8	
Change in working capital	57.5	-2.1	8.4	-33.7	
Cash flow from ongoing operations	-44.9	-95.8	-116.0	-113.5	B)
Investment activity					
Acquisition/divestment of fixed assets	-3.1	-13.9	-40.8	-15.4	
Acquisition/divestment of fixed-income securities	-30.0	100.9	-45.0	100.9	C)
Cash flow from investment activity	-33.1	87.0	-85.8	85.5	D)
Financing activity					
New issue	0.0	0.0	313.6	0.0	
Loans raised/amortization	-6.9	-6.9	27.6	-9.7	
Cash flow from financing activity	-6.9	-6.9	341.2	-9.7	E)
Cash flow for the period					
Liquid assets, opening balance	301.9	339.6	239.2	339.6	F)
Change in liquid assets	-85.1	-15.6	139.4	-37.7	
Exchange rate difference, liquid assets	0.0	0.0	0.0	0.0	
Liquid assets, closing balance	216.9	324.0	378.6	301.9	

A) Profit after financial items from continuing operations of the Medivir group, SEK -160.8 m (Jan.-Sep. 2005 -102.8, Jan.-Sep. 2004 -122.6, Jan.-Dec. 2005 -93.8) and from discontinued operations SEK 45.4 m (Jan.-Sep. 2005 -10.2, Jan.-Sep. 2004 -10.1, Jan.-Dec. 2005 -14.1).

B) Cash flow from ongoing operations from continuing operations of the Medivir group, SEK -90.3 m (Jan.-Sep. 2005 -85.7, Jan.-Sep. 2004 -105.9, Jan.-Dec 2005 -99.4) and from discontinued operations SEK 45.4 m (Jan.-Sep. 2005 -10.2, Jan.-Sep. 2004 -10.1, Jan.-Dec. 2005 -14.1).

C) Reclassification of short-term investments with maturities of more than 3 months pursuant to IAS 7.

D) Cash flow from investment activity from continuing operations of the Medivir group, SEK -33.1 m (Jan.-Sep. 2005 87, Jan.-Sep. 2004 -85.8, Jan.-Dec. 2005 85.5) and from discontinued operations SEK 0 m (Jan.-Sep. 2005 0, Jan.-Sep. 2004 0, Jan.-Dec. 2005 0).

E) Cash flow from financing activity from continuing operations of the Medivir group, SEK -6.9 m (Jan.-Sep. 2005 -6.9, Jan.-Sep. 2004 341.2, Jan.-Dec. 2005 -9.7) and from discontinued operations SEK 0 m (Jan.-Sep. 2005 0, Jan.-Sep. 2004 0, Jan.-Dec 2005 0).

F) Liquid assets comprise cash and bank balances and short-term investments with maximum maturity of 3 months.

For the loan of SEK 9.2 m as of 30 Sep. 2006 that Medivir AB raised, the company has pledged short-term investments of SEK 4.6 m as collateral.

KEY FIGURES

	2006 Jan-Sep	2005 Jan-Sep	2004 Jan-Sep	2005 Jan-Dec
<i>Return on:</i>				
equity, %	-35.8	-26.6	-36.2	-24.5
capital employed, %	-34.1	-25.0	-34.6	-23.7
total capital, %	-28.2	-22.5	-31.8	-21.1
Average number of shares, 000	12,903	12,903	10,746	12,903
Number of shares at end of period, 000	12,903	12,903	12,902	12,903
Outstanding warrants, 000	677.0	887.0	647.5	887.0
Earnings per share, SEK	-8.91	-8.72	-12.31	-8.10
Shareholders' equity per share, SEK	20.44	28.63	35.39	29.29
Cash flow per share after investments, SEK	-6.06	-0.68	-18.77	-2.17
Earnings per share, SEK A, B	-8.33	-7.97	-11.40	-7.34
Shareholders' equity per share, SEK A, B	24.14	33.05	38.87	33.72
Equity ratio, %	74.5	84.0	87.0	82.9

For forecast year-2006 earnings per share, please refer to the 'Outlook' heading in the section on Medivir's consolidated turnover and costs.

The key figures are for the group's total operations, i.e. key figures for continuing and discontinued operations are not disclosed separately.

A) After full utilization of outstanding warrants.

IAS 33 stipulates that any potential ordinary shares do not give rise to any dilution effect when their conversion into ordinary shares results in increased EPS, which would occur upon the conversion of Medivir's outstanding stock options. Thus, the above should not be considered a calculation of dilution effects but a theoretical calculation of earnings and shareholders' equity per share, after the full exercise of outstanding warrants.

B) Previous stock option plans from 2001 and 2002 have been recalculated due to the new issue consummated in June 2004. Warrants from these plans confer the rights to conversion of 1.10 shares per stock option, and the exercise price has been recalculated. These plans matured on 30 June 2006 without any conversion, and are not included in the key ratio calculations as of 30 September 2006.