



MEDIVIR INTERIM REPORT, 1 January – 30 June 2001

- Profit after financial items was SEK –68.0 (-33.9) m; net sales increased to SEK 63.6 (54.7) m.
- CCS lifted its net sales to SEK 63.8 (41.2) m; operating profit was SEK 9.7 (8.7) m.
- Herpes antiviral ME-609: Final Report from the phase II clinical trial showed good efficacy. Strategy for outlicensing and phase III clinical trial strategy established.
- Multiresistant-HIV antiviral MIV-310: Authorization to commence phase II clinical trials received.
- Good progress in the preclinical portfolio.

Forthcoming Reports in 2001

The nine-month Interim Report will be published on 31 October.

These Reports will be available on Medivir's Website **www.medivir.se** on these dates under the heading 'Financial Information'.

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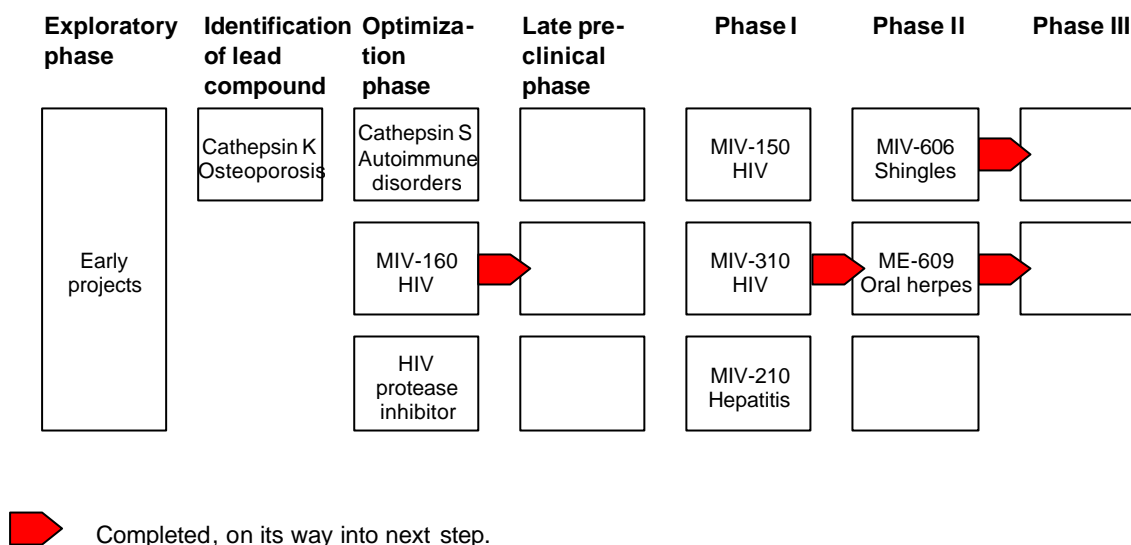
The Medivir group

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

Medivir's research concentrates primarily on infectious diseases and autoimmune disorders. The research portfolio comprises projects against HIV, viral hepatitis, shingles, cold sores, osteoporosis and autoimmune disorders. 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 entering phase II. Medivir's preclinical research encompasses a number of projects, of which two are in their lead optimization phase and one is entering the late preclinical stage.

Medivir's project portfolio



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

Medivir's clinical projects

MIV-606 antiviral for shingles

Outlicensing activities have progressed during the period and parallel discussions are under way. Furthermore, several preclinical studies and a clinical bridging study have been executed with good results.

ME-609 antiviral for labial herpes (cold sores)

The Final Report from the Phase II trials was issued during the spring and showed good efficacy. ME-609 is the first putative drug which has been demonstrated to inhibit the outbreak of cold sores upon early application. During the period, a task force was formed comprising prominent opinion leaders and clinicians. In consultation with this task force, Medivir has established a strategy leading to phase III clinical trials and identified the profile for conceivable license partners for ME-609. As previously announced, a Notice of Allowance from the US Patent and Trademark Office was received in January in relation to the antiviral combination patent underlying ME-609. The patent extends to 2016 and also protects the genital herpes indication.

MIV-150 antiviral for HIV

Phase I clinical trials at Chiron are expected to be completed during the second half of 2001. During the period, activities have concentrated on enhancing bioavailability and planning the coming phase II clinical trials. These phase II trials are expected to begin late this year, as previously announced.

MIV-310 antiviral for multi-resistant HIV

A phase II trial is scheduled to demonstrate efficacy on patients with multi-resistant HIV, and to identify a toxicologically acceptable dosage. Medivir has recently received

authorization from the relevant authorities to commence this phase II trial, which, as previously announced, is expected to be executed this year.

MIV-210 antiviral for hepatitis B (jaundice)

Preliminary results from the phase I trials which commenced in January indicate an excellent bioavailability. The toxicological profile of the compound for long term administration is currently being evaluated. As previously announced, completion of the phase I trials is expected during 2001.

Medivir's preclinical research*

Overview

Medivir's research organization has been significantly strengthened during the year 2000, resulting in eight distinct projects in preclinical development, and a number of explorative projects. Of these, one is set to advance into late preclinical development, two are in the lead optimization stage, one is in the lead identification stage and the remaining are early stage projects.

The MIV-160 project targeting the HIV polymerase is set to advance into late preclinical development. The projects in the lead optimization stage, Cathepsin S for autoimmune disorders and an HIV-1 protease inhibitor project have developed positively during the period. Cathepsin K, a project in the osteoporosis indication is progressing well in the lead identification stage.

Early stage projects have deployed Medivir's patented research technologies with good results. This is expected to lead to new projects advancing to the lead identification stage during the coming year.

Project progress

A successful initiative has been completed in the MIV-160 project, resulting in a new type of orally bioavailable HIV inhibitor which is active at sub-nanomolar concentrations. A comprehensive patent application has been submitted to the relevant authorities.

During the spring, Medivir AB and Genzyme extended their research collaboration encompassing the development of new drugs to treat asthma, allergies and autoimmune deficiencies. This collaboration is intended to produce pharmaceuticals that inhibit Cathepsin S, a protease central to immunoactivation. Orally bioavailable and effective Cathepsin S-inhibiting lead compounds have been produced and are currently being optimized. Medivir and Genzyme jointly own the Cathepsin S inhibitors which arise during this joint venture. The continued development of these potential pharmaceuticals will probably be commercialized through out-licensing to a global pharmaceuticals corporation.

Cathepsin K is a protease found in osteoclasts and bone cells and is active in skeletal deterioration. Cathepsin K inhibitors are expected to be highly significant in the treatment of osteoporosis. Significant progress has been made in identifying lead compounds that inhibit the activity of Cathepsin K. This project is expected to advance to optimization phase the year.

*For explanations of the terminology in the above text, please refer to the Figure above and Medivir's Annual Report.

CCS

CCS is in a robust expansion phase. The CCS proprietary brands are continuing to show a strong sales performance, in part due to a number of product launches in the retail goods sector (for example a moisturizing handcream, facial cleansing pads and Mosi-Guard mosquito repellent) and the pharmaceuticals sector (Ketoson dandruff shampoo). On 1st January 2001, CCS acquired Nordic Care Sweden AB, which brings CCS additional sales and products and also a new sales channel via its supermarket-targeted sales force. Efforts to renovate and extend the CCS plant in response to forthcoming contract manufacture of Nezeril for AstraZeneca are proceeding well and are scheduled to come online in the first quarter of 2002.

Medivir's consolidated turnover and costs

The Group

Consolidated net sales were SEK 63 589 000 (54 720 000) in the period; operating costs increased to SEK -138 188 000 (-93 942 000), including goodwill amortization of SEK -1 683 000 (-1 057 000). The net financial position was SEK 6 954 000 (5 223 000). Profit after financial items was SEK -68 006 000 (-33 894 000).

Medivir

Net sales within Medivir's research operations, comprising Medivir AB and Medivir UK Ltd (in the group since April 2000) amounted to SEK 153 000 (13 939 000) during the period. The reduction in revenues reflects the research support remuneration for the HIV pharmaceutical MIV-160 received during 2000 and which has now ceased. Research costs were SEK -83 089 000 (-60 888 000), divided between external cost of SEK -43 371 000 (-35 958 000), personnel costs of SEK -33 275 000 (-21 571 000) and depreciation of SEK -6 443 000 (-3 160 000). The increase in personnel costs is mainly due to more researchers being appointed in 2000, which shows in this year's statistics. Depreciation increased, mainly because of investments in new research equipment and also the completion during 2000 of the combinatorial chemistry and HTS (high throughput screening) premises at Medivir AB.

Operating profit was SEK -82 935 000 (-46 949 000). The profit downturn reflects the lower income revenue, but is largely due to increased personnel costs resulting from an expanded headcount and consequent increased research costs. Profit after financial items was SEK -76 122 000 (-42 000 000).

CCS

As of 1 January 2001, the CCS group comprises CCS AB, Nordic Care Sweden AB and CCS UK Ltd. CCS' net turnover was SEK 63 783 000 (41 244 000). CCS' operating profit (including Nordic Care Sweden AB and CCS UK Ltd) was SEK 9 688 000 (8 669 000), with profit after financial items of SEK 9 798 000 (8 998 000). Of CCS AB's product sales, 35% (25%) comprised contract manufacture and 14% (20%) export sales.

The sales gains were due partly to the positive sales performance of CCS' proprietary product launches, and partly due to CCS' contract manufacture of ACO Hud's skin-care

products since 1 July 2000 and the sale of Nordic Care's (formerly Jillprodukter) body-care products being included in CCS' consolidated figures from January 2001 onwards. During the period, operating profit was subject to costs for the integration of Nordic Care, plus costs for the forthcoming take-over of AstraZeneca's eye-care products and contract manufacture of Nezeril, which will become operational in the first quarter of 2002.

Financial position

The closing balance of consolidated liquid assets including short-term investments was SEK 252 576 000 (342,784,000 at 31 December 2000). As of 30 June 2001, Medivir had SEK 691 000 in interest-bearing liabilities (SEK 0 at 31 December 2000). Shareholders' equity was SEK 428 359 000 (SEK 497 166 000 at 31 December 2000). The consolidated equity ratio was 89.4%, against 90.3% at 31 December 2000. On 15 June 2001, 136 900 outstanding options from the 96/01 option programme expired. As the share price was lower than the exercise price, these options expired without being exercised.

Investments

Gross investments in consolidated tangible fixed assets were SEK 16 653 000 (15 222 000) 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.

Forecast

Several projects are currently at the outlicensing stage, with further additions expected during the year. The personnel resources engaged in outlicensing have been strengthened. If and when outlicensing of various projects will be successfully accomplished cannot now be specified and it is therefore not feasible to give a profitability forecast. The significant and successful commitment to preclinical and clinical research will lead to research costs of around SEK 150 million during 2001.

Huddinge, Sweden, 6 July 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-Jun	2000 Jan-Jun	1999 Jan-Jun	2000 Jan-Dec
Turnover etc.				
Net sales	63 589	54 720	110 502	110 365
Change in inventories	-409	85	778	1 181
Capitalized work on behalf of other parties	0	0	0	472
Other turnover	48	20	427	882
Total turnover	63 228	54 825	111 707	112 900
Operating costs				
Raw materials and supplies	-25 889	-18 054	-15 144	-30 736
Other external costs	-52 692	-40 054	-46 022	-101 525
Personnel costs	-49 261	-29 900	-20 010	-66 689
Depreciation	-10 346	-5 934	-4 378	-14 821
Total operating costs	-138 188	-93 942	-85 554	-213 771
Operating profit	-74 961	-39 117	26 153	-100 870
Profit from financial investments				
Profit from other securities and receivables	128	256	0	162
Other interest income etc.	6 899	5 049	2 361	15 435
Interest costs etc.	-73	-82	-44	-100
Total profit from financial investments	6 954	5 223	2 317	15 497
Profit after financial items	-68 006	-33 894	28 470	-85 373
Tax*	0	0	0	1,018
Net profit	-68 006	-33 894	28 470	-84 355

*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 BALANCE SHEET

Summary, SEK 000

	2001 30 Jun	2000 30 Jun	1999 30 Jun	2000 31 Dec
Assets				
Fixed assets				
Intangible fixed assets	38 953	42 040	27 328	40 637
Tangible fixed assets	105 507	74 540	51 327	96 606
Financial fixed assets	3 318	3 133	3 133	3 321
Total fixed assets	147 777	119 713	81 788	140 565
Current assets				
Inventories	48 032	38 842	36 520	42 082
Current receivables	30 909	28 458	15 601	24 967
Short-term investments	240 266	378 878	101 150	327 621
Cash and bank balances	12 310	21 685	42 212	15 163
Total current assets	331 517	467 863	195 483	409 834
Total assets	479 294	587 576	277 271	550 398
Liabilities and shareholders' equity				
Restricted equity	573 379	588 843	237 486	575 755
Accumulated deficit /non-restricted equity	-145 021	-46 390	7 989	-78 588
Total shareholders' equity	Note 1 428 359	542 453	245 475	497 166
Provisions	5,260	6,245	6,498	5,260
Long term liabilities	0	0	0	0
Current liabilities	45 676	38 878	25 298	47 972
Total liabilities and shareholders' equity	479 294	587 576	277 271	550 398

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	-2 389	2 389	0
Option conversion	13		13
Translation difference		-814	-814
Net profit		-68 006	-68 006
Balance Sheet 30 June 2001	573 379	-145 021	428 359

CONSOLIDATED INCOME STATEMENT

Summary, SEK 000

	2001 Apr-Jun	2000 Apr-Jun	1999 Apr-Jun
Turnover etc.			
Net sales	33 339	29 717	49 444
Change in inventories	-2 333	-90	335
Capitalized work on behalf of other parties	0	0	0
Other turnover	24	4	317
Total turnover	31 030	29 631	50 096
Operating costs			
Raw materials and supplies	-11 153	-9 894	-7 568
Other external costs	-24 473	-22 852	-13 527
Personnel costs	-26 238	-18 353	-9 920
Depreciation	-5 346	-3 677	-2 202
Total operating costs	-67 210	-54 776	-33 217
Operating profit	-36 180	-25 145	16 879
Profit from financial investments			
Profit from other securities and receivables	98	82	0
Other interest income etc.	2 728	3 844	1 185
Interest costs etc.	24	-48	-39
Total profit from financial investments	2 849	3 878	1 146
Profit after financial items	-33 331	-21 267	18 025
Tax	0	0	1,018
Net profit for the period	-33 331	-21 267	18 025

CONSOLIDATED CASH FLOW STATEMENT

Summary, SEK 000

	Jan-Jun 2001	Jan-Jun 2000	Jan-Jun 1999	Jan-Dec 2000
Ongoing operations				
Operating profit after financial items	-68 006	-33 894	28 471	-85 373
Adjustment for items not included in cash flow:				
Depreciation	10 346	5 934	4 378	14 821
Exchange rate and translation differences	-1 521	0	0	-199
Capital gains(-)/loss(+) on divested fixed assets	0	-19	-45	-95
Tax paid	-1 465	-582	0	-627
Cash flow from ongoing operations before change in working capital	-60 606	-28 561	32 804	-71 473
Change in working capital	-12 724	-13 438	-18 446	-3 164
Cash flow from ongoing operations	-73 370	-41 999	14 358	-74 637
Investment activity				
Acquisitions of tangible fixed assets	-16 653	-15 222	-4 456	-43 541
Acquisitions of financial fixed assets	-202	-873	0	-873
Disposals of tangible fixed assets	0	60	126	140
Disposals of financial fixed assets	3	0	0	0
Increase in long-term receivables	0	0	0	-188
Cash flow from investment activity	-16 852	-16 035	-4 330	-44 463
Financing activity				
Financial payments	13	310 972	0	314 258
Cash flow from financing activity	13	310 972	0	314 258
Cash flow for the period				
Liquid assets, opening balance*	342,784	147,625	133,334	147,625
Change in liquid assets	-90 208	252 938	10 028	195 159
Liquid assets, closing balance*	252 576	400 563	143 362	342 784

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

KEY FIGURES

	2001 Jan-Jun	2000 Jan-Jun	1999 Jan-Jun	2000 Jan-Dec
Return on:				
- equity, %	-14.70	-8.70	12.50	-22.93
- capital employed, %	-14.68	-8.70	12.50	-23.18
- total capital, %	-13.19	-7.80	11.10	-20.58
Average 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
Earnings per share, SEK	-8.21	-4.54	4.30	-11.29
Shareholders' equity per share, SEK	51.68	65.66	36.89	59.99
Cash flow per share after investments, SEK	-10.89	-7.78	1.51	-15.94
Earnings per share, SEK*	-7.80	-4.27	4.22	-10.72
Shareholders' equity per share, SEK*	55.84	69.65	42.66	64.01
Equity ratio, %	89.37	92.32	88.50	90.33

Profit per share, forecast for 2001: refer to the paragraph entitled Forecast in the Medivir Consolidated Turnover and Costs section.

*After full utilization of outstanding warrants (313 400 in number).