PRESS RELEASE 17.2.2004

MEDIVIR FINANCIAL STATEMENT 1 January – 31 December 2003

- MIV-310 was outlicensed to Boehringer Ingelheim in July in a global licensing agreement with a total contract value of € 122 m.
- MIV-210 was outlicensed in May to GlaxoSmithKline as part of a global licensing agreement with a total contract value of € 86 m of which Medivir received € 6 m at the time of signing the agreement.
- In November, Roche and Medivir entered into two agreements within the field of virology. Within the HIV field, the companies restructured the existing collaborative agreement for MV026048 and, for hepatitis C, they entered into a new research partnership agreement.
- In November, Medivir and Hengrui signed a research partnership agreement to develop drugs to combat chronic obstructive pulmonary disease (COPD).
- In July, Medivir entered into a licensing agreement for MIV-150 with the Population Council.
- In November, Medivir and Peptimmune Inc. were granted an EU patent for the use of Cathepsin S-inhibitor in therapeutic formulations for alleviating immune reactions.
- Major progress has been made in the Cathepsin projects.
- On 1 July, Medivir divested its subsidiary CCS for SEK 210 m.
- Lars Adlersson entered the position as CEO and President on 1 March.
- Net sales amounted to SEK 149.0 m inclusive CCS half-year (256.3 m inclusive CCS whole-year). Profit after tax were SEK –40.3 m (SEK -59.8 m), earnings per share amounted to SEK –4.69 (SEK -7.09).

FOR FURTHER INFORMATION, PLEASE CONTACT

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FUTURE INFORMATION OPPORTUNITIES

First Quarter report will be published on 22 April 2004
General meeting will be held on 22 April 2004
Half-year report will be published on 6 July 2004.
Third Quarter report will be published on 26 October 2004

The reports will be available on the Medivir website, www.medivir.se, as from these dates under the heading of Financial Information.

The Medivir Group

Medivir is an innovative, specialist research company that develops pharmaceuticals and its aim is to be a sustainable and profitable pharmaceutical company. The company is located in Huddinge (Sweden) and Cambridge (England). Medivir's research is focused on developing new drug compounds based on proteases and polymerases as target enzymes.
The Group comprises Medivir AB and its subsidiaries, Medivir UK Ltd and Medivir Personal AB. At the end of 2003, the Group had 109 employees. In 1996, Medivir was floated on the Stockholm Stock Exchange and, since 1 July 2003, the company has been quoted on the Attract40 segment of the O List.

Included in the research portfolio are projects to combat HIV, jaundice, shingles, cold sores, osteoporosis, rheumatoid arthritis (RA), asthma and multiple sclerosis (MS). Medivir has five individual projects in the clinical development phase, all with a unique clinical profile. In the company's wide-ranging preclinical research portfolio, there are five defined projects and around ten activities in various preclinical phases.

IMPORTANT EVENTS DURING QUARTER 4 2003

Partnership with Roche restructured and extended

In November, Roche and Medivir announced the signing of a new research agreement within the field of hepatitis C (HCV) while the companies were also restructuring their existing partnership within the HIV field. With regard to the current agreement within the HIV area, Medivir has now assumed development responsibility for MV026048. Roche has an advisory role in the continued development work with the option of resuming the programme on a later occasion. If Roche utilises its option, the future payment to Medivir will increase in comparison with the original agreement.
Within the new research partnership, the parties will work together to produce new inhibitors for the treatment of hepatitis C infections. Roche is providing financial support for this programme and making milestone payments and royalties to Medivir. As with the HIV agreement, Medivir is reserving the marketing rights for the HCV products in the Nordic countries.

Research partnership within the field of chronic obstructive pulmonary disease (COPD)

In November, Medivir and the Jiangsu Hengrui Medicine Company of Shanghai (People's Republic of China) initiated a research partnership jointly to develop protease inhibitors to combat COPD. This partnership, which will last for several years, unites Medivir's protease inhibitor programme against COPD, screening systems and research technologies, with Hengrui's recognised expertise within the field of pharmaceutical chemistry. Any drugs resulting from this partnership will be marketed by Hengrui in China and by Medivir in the rest of the world.

EU patent for Cathepsin S

In November, Medivir and Peptimmune Inc. were granted an EU patent for the use of Cathepsin S inhibitors in therapeutic formulations for alleviating immune reactions. The partnership surrounding Cathepsin S is aimed at developing new classes of drugs for treating conditions such as rheumatoid arthritis and multiple sclerosis as well as chronic pain.

THE YEAR IN BRIEF

During the year, five new partnership agreements have been signed, one existing collaborative agreement has been restructured and the subsidiary, CCS, has been disposed of. The disposal of CCS is one element in Medivir's strategy to become a research company that is a world leader, focusing on the field of proteases and polymerases. Medivir intends to build up its own sales and marketing organisation within the Nordic countries, primarily aimed at specialist products.

The partnerships that have been entered into open up a multitude of commercial opportunities for Medivir. The purpose is to spread the risk and cover Medivir's research costs while on the way to launching products onto the market, as well as to generate income. In all of the partnership agreements, Medivir has retained at least the marketing rights within the Nordic countries. In the agreements entered into with Roche (HCV), GSK, BI and Reliant, Medivir has a collective contract value, of over SEK 2,000 m, excluding royalties.

Partner	Project/ Therapy area	Phase	Type of partnership	Conditions of agreement	Medivir's marketing rights
Reliant	RP-606	II	Outlicensing	US$17 m in up-front and milestones plus royalties	100% Nordic countries, 60 % Europe and 50% Asia
Boehringer Ingelheim	MIV-310	II	Outlicensing	€ 122 m in up-front and milestones plus royalties	100% Nordic countries
Glaxo SmithKline	MIV-210	I	Outlicensing	€ 86 m in up-front and milestones plus royalties	100% Nordic countries
Population Council	MIV-150	I	Outlicensing	Use free-of-charge in the third world	100% Nordic countries, shared turnover from the industrialised world
Roche	MV026048	Preclinical	R&D Partnership	More than US$ 42 m if Roche uses its option plus royalties	100% Nordic countries if Roche uses its option
Peptimmune	Cathepsin S	Preclinical	Joint venture	50/50 division of turnover and costs	50% Globally
Roche	HCV	Preclinical	Research partnership	Medivir receives research support, milestones plus royalties	100% Nordic countries
Paradigm	Protease Research	Explorative	Joint venture	50/50 division of turnover	100% Nordic countries, 50% Globally
Hengrui	KOL	Explorative	Research partnership	Royalties from sales in China	Global rights excluding China

During the year, the research projects have been making a great deal of progress. In the preclinical portfolio, projects such as the protease-based projects Cathepsin S and K have been developing well.

These projects are at the stage immediately prior to candidate drug (CD) selection. As regards the clinical projects, preparatory activities prior to phase III have been carried out for RP-606 as well as ME-609.

INFECTIOUS DISEASES

RP-606 for shingles – phase II ready, en route to phase III

RP-606 is the Medivir shingles project that has been outlicensed to Reliant Pharmaceuticals. In the approaching phase III studies, it is hoped that it will be possible to demonstrate that RP-606 reduces the chronic pain (PHN) linked to shingles.

Reliant is responsible for financing the clinical phase III studies, applying for market registration in the USA and other countries, as well as the post-approval marketing and sales of RP-606 in North America. Medivir and Reliant have also entered into a "joint venture" in order to find marketing partners, when appropriate, for RP-606 in Europe and Asia.

During the year, Reliant's work has been directed towards synthesis and formulation development, substance production and planning for future phase III studies. The comprehensive synthesis and formulation development work has been successful. Substance production for the future phase III studies has begun.

The project's scientific advisors have drawn up guidelines for the phase III study and preparations for phase III have actively begun.

ME-609 against labial herpes (cold sores) - phase II ready, en route to phase III

During the last six months of the year, work has been aimed at reinforcing the European patent for ME-609 by means of a completed patent application, which is currently being processed by the authorities. During the past six-month period, Medivir has also begun making preparations for the approaching phase III study. This work has been aimed at preparations for the meeting with the FDA, scaling up the manufacturing method plus preparations for production in North America. The work finding an optimal structure for future collaboration with one or more external partner is ongoing.

MIV-310 against multi-resistant HIV – in phase II

In July, Medivir entered into a global licensing agreement with Boehringer Ingelheim (BI). BI is responsible for global drug development and holds the exclusive global marketing rights apart from those in the Nordic countries, which have been retained by Medivir. The agreement stipulates that Medivir could receive a total of € 122 m in upfront and milestone payments if all sub-targets are achieved. Medivir will also receive a two-figure royalty payment on product sales if it comes to market. This autumn, the work was aimed at transferring project data and expertise – in a "tech-transfer" to BI, which is now taking the project further.

MIV-210 against HIV and the hepatitis B virus (jaundice) – phase I completed

In May, Medivir entered into a global licensing agreement with GlaxoSmithKline (GSK) which is going to focus primarily on developing further MIV-210 for the treatment of HIV. GSK is responsible for drug development and holds the global marketing rights, excluding the Nordic countries which Medivir is retaining. The agreement also stipulates that GSK is going to pay up to € 86 m on condition that all sub-targets are achieved. In addition, GSK is going to pay royalty on sales of the product if it comes to market. During the summer, work was aimed at "tech-transfer" for the project, which has been run by GSK since the autumn, including planning for the future phase II studies. The project was presented at the GSK R&D day in December, to much positive comment.

MIV-150 against HIV – in phase I

In July, Medivir outlicensed MIV-150 to the Population Council in New York, to be used in a microbicide that is designed to prevent HIV infection. The Population Council, which is a non-profit organisation, is going to be responsible for the financing and development of the product.

Medivir surrendered, free-of-charge, the right to use MIV-150 in developing countries in a vaginal microbicide. When used in other countries, Medivir and the Population Council will share income, with Medivir having sole-rights in the Nordic countries.

MV026048 against HIV - in preclinical development phase

MV026048 is a polymerase inhibitor of the NNRTI type and is currently in a phase of advanced preclinical development. In November, Medivir assumed responsibility for development from Roche, which has an advisory role in the project. The work is currently aimed at preclinical work and safety studies before entering phase I.

MIV-170 against HIV – in preclinical optimisation phase
MIV-170 is a new polymerase inhibitor of the NNRTI type, focusing particularly on therapy for the growing proportion of patients with multi-resistant HIV. Progress has been made during the year and the project advanced to the preclinical optimisation phase in the spring. Some extensive patenting work has been carried out during the year and patent protection has been secured.

IMMUNOLOGICAL DISEASES
Cathepsin S against RA and MS – in preclinical optimisation phase
The Cathepsin S project (protease inhibitors) is aimed at treating autoimmune diseases. The project is run jointly with the American company, Peptimmune, targeting rheumatoid arthritis (RA) and multiple sclerosis (MS) among other diseases. Over the year, the project has made great progress in the optimisation phase and is now well advanced in the phase immediately prior to candidate drug (CD) selection. An EU patent was granted in November for the use of the Cathepsin S inhibitor in drugs for alleviating immune reactions.

OTHER THERAPY AREAS
Cathepsin K against osteoporosis – in preclinical optimisation phase
Cathepsin K is a protease whose activity leads to the degradation of bone tissue. Osteoporosis (brittle bones) will occur when Cathepsin K activity is raised or when there is an imbalance between bone formation and bone degradation. Recently, in disease models, it has been demonstrated that the disease-producing degradation of bone tissue can be reduced considerably if Cathepsin K activity is reduced. Medivir's inhibitor has been shown to be efficacious in a human cell based model for bone resorption (bone degradation). The project moved into the optimisation phase in 2003 and has been developing very rapidly.

MEDIVIR'S CONSOLIDATED TURNOVER AND COSTS
The Group's figures include turnover and costs from the CCS Group up to and including 30 June, after which only turnover and costs from the research activities of Medivir AB and Medivir UK Ltd are included. In the disposal of the CCS Group on 1 July 2003 to Segulah II L.P, Medivir received SEK 210 m. Profits from the divestiture of the CCS Group are reported in the Income Statement under the item 'Profit from financial investments'.

The Group
During the period 1 January – 31 December 2003, the Group's net sales amounted to SEK 149.0 m (SEK 256.3 m) and operating costs amounted to SEK –264.9 m (SEK –333.0 m). Included in these costs are goodwill depreciations of SEK –2.5 m (SEK –3.4 m). Net financial items, including the divestiture of CCS, amounted to SEK 69.6 m (SEK 6.4 m) and profits after financial items amounted to SEK –42.7 m (SEK –64.2 m).

Medivir's research activities
The net sales in Medivir's research business, which includes Medivir AB and Medivir UK Ltd, amounted to SEK 63.9 m (SEK 103.9 m) during the period. The period's net sales pertains largely to the outlicensing of MIV-210 to GlaxoSmithKline, and MIV-310 to Boehringer Ingelheim.
The turnover for the previous year pertained to the outlicensing of RP-606 to Reliant Pharmaceuticals and the outlicensing of MV026048 to Roche. The operating costs amounted to SEK –191.7 m (SEK –193.5 m), distributed over external costs SEK –87.9 m (SEK –105.5 m), personnel costs SEK –89.1 m (SEK –72.8 m), plus depreciation of SEK –14.7 m (SEK –15.3 m). The increased personnel costs are mainly due to costs connected with the divestiture of CCS. The operating profit amounted to SEK –126.6 m (SEK –89.6 m) and the profit after financial items to SEK –44.2 m (SEK –83.2 m).
The net sales in Medivir's research business during the period 1 October to 31 December amounted to SEK 0.8 m (SEK 11.6 m). The net sales during the corresponding period year 2002 were to a great extent payments from Reliant Pharmaceuticals on RP-606. The operating costs during the fourth quarter amounted to SEK -50.9 m (SEK 55.9 m), divided on external costs SEK -25.1 m (SEK -32.9 m), personnel costs SEK -21.9 m (SEK -19.0 m) and depreciation of SEK -3.9 m (SEK -4.0 m). In the external costs write-off of the RP-606 inventory is included with SEK -5.4 m (SEK-9.5 m). The operating profit amounted to SEK -49.7 m (SEK -44.4 m) and profit after financial items amounted to SEK -45.0 m (SEK -40.8 m).

CCS
For 2003, the figures for the CCS Group pertain to the period 1 January - 30 June and, for 2002, the whole year. The Group comprised CCS AB, Nordic Care Sweden AB plus CCS UK Ltd. CCS net sales amounted to SEK 85.6 m (SEK 153.3 m) and operating costs to SEK –71.1 m (SEK –134.0 m). The CCS Group's operating profit amounted to SEK 16.9 m (SEK 22.4 m) and profits after financial items amounted to SEK 16.8 m (SEK 22.4 m). Of CCS AB's product sales, 35 % (35 %) constituted contract production and 17 % (15 %) export sales.

Financial position
As at 31 December, the consolidated liquid assets including short-term investments amounted to SEK 239.2 m (SEK 143.9 m). Added to this can be the market value of listed shares of SEK 10.4 m (SEK 9.7 m). As at 31 December, there were SEK 3.4 m (SEK 4.5 m) in interest-bearing liabilities. Shareholders' equity amounted to SEK 277.8 m (SEK 320.0 m). The consolidated equity ratio amounted to 90.3 % (86.4 %).

Investments
During the year 2003, gross investments in the consolidated tangible and intangible fixed assets amounted to SEK 10.1 m (SEK 23.8 m). The investments pertain primarily to the procurement of research equipment and the conversion of existing premises. Included in the gross investments are SEK 3.6 m pertaining to ongoing work on new research premises for Medivir UK.

Miscellaneous
On 1 March, Lars Adlersson took up the post of MD and Group CEO for the company. Among Lars Adlersson's previous posts are a number of positions within the Glaxo Group.

Accounting principles
The Group has applied Sweden's Annual Accounts Act while drawing up the part-year report. The accounting and valuation principles comply with the Swedish Financial Accounting Standards Council's recommendations and statements.

Personnel
The personnel have increased in number during the year by 4 employees in Medivir AB and 4 in Medivir UK Ltd and, as at 31 December 2003, numbered 109 (221 inclusive CCS). The average number of employees was 99 (192) over the year.

Shares
At the end of the year 2003, the number of outstanding shares amounted to 8,589,600, of which 660,000 were A-shares and 7,929,600 were B-shares. The number of outstanding options amounts to 449,900 and when outstanding options are fully subscribed, the total number of shares amounts to 9,039,500.

Dividend payment
The Board proposes to pay no dividend for the business year 2003.

General meeting
An ordinary general meeting will take place in the auditorium, Wenner-Gren Center, Sveavägen 166, Stockholm on Thursday, 22 April 2004, at 3.00 pm.

Nomination committee
As regards proposed nominations for new Board members, please refer to the nomination committee consisting of Bertil Hållsten representing the Carnegie Funds, Tomas Risbecker representing Robur Funds, Anders Vedin and Bo Öberg.

Future prospects
Crucial to the future of Medivir is its capacity cost effectively to develop new candidate drugs which are developed into new medicines in clinical testing, to enter into partnerships for its projects, and to bring clinical development projects towards successful market launches and sales.

Medivir's objective has been continuously to enter into partnerships to operate projects in the best possible way as regards time and risk. New partnerships and those already entered into could have a huge impact on Medivir's revenue and cash balance, but it is not possible precisely to define the flow of revenue on a time basis. Medivir's net research costs are expected to be in the range of SEK 175 m for 2004, which is in line with previous year. Since it is difficult to specify dates for new partnerships and outlicensing arrangements, Medivir is not presenting profits forecast.

Huddinge 17 February 2004
Medivir
Board of Directors

This report has not been subject to special examination by Medivir's auditors.

CONSOLIDATED INCOME STATEMENT

Summary, SEK m

	2003 Jan-Dec	2002 Jan-Dec	2001 Jan-Dec
Turnover, etc.			
Net sales	149.0	256.3	125.9
Change in inventories and other revenue	3.6	3.1	1.0
Total	**152.6**	**259.4**	**126.9**
Operating costs			
Raw materials and supplies	-33.7	-63.4	-53.8
Other external costs	-101.8	-131.1	-104.6
Personnel costs	-109.0	-111.2	-100.1
Depreciation	-20.4	-24.3	-21.3
Total operating costs	**-264.9**	**-330.0**	**-279.8**
Operating profit	**-112.3**	**-70.6**	**-152.9**
Profit from financial investments	69.6	6.4	13.5
Profit after financial items	**-42.7**	**-64.2**	**-139.4**
Tax*	2.4	4.4	3.6
Net profit	**-40.3**	**-59.8**	**-135.8**
Earnings per share, SEK	-4,69	-7.09	-16.38
Average number of shares, 000	8,590	8,439	8,288
Number of shares, closing balance, 000	8,590	8,590	8,288

* The positive tax amount is mainly attributable to Medivir UK's tax credits, a consequence of UK fiscal legislative support for research.
The group has estimated accrued tax-deductible losses of at least SEK 400 m until 2003 inclusive.

CONSOLIDATED INCOME STATEMENT

Summary, SEK m

	2003 Oct-Dec	2002 Oct-Dec	2001 Oct-Dec
Turnover, etc.			
Net sales	0.8	47.6	29.2
Change in inventories and other revenue	0.4	1.7	1.3
Total	**1.2**	**49.3**	**30.5**
Operating costs			
Raw material and supplies	0	-13.2	-14.1
Other external costs	-25.1	-40.7	-26.4
Personnel costs	-21.9	-30.1	-28.2
Depreciation	-3.9	-6.4	-5.4
Total operating costs	**-50.9**	**-90.4**	**-74.1**
Operating profit	**-49.7**	**-41.1**	**-43.6**
Profit from financial investments	4.7	3.5	3.6
Profit after financial items	**-45.0**	**-37.6**	**-40.0**
Tax	2.4	4.5	3.6
Net profit	**-42.6**	**-33.1**	**-36.4**

CONSOLIDATED BALANCE SHEET
Summary, SEK m

	2003 31 Dec	2002 31 Dec	2001 31 Dec
Assets			
Fixed assets			
Intangible fixed assets	10.7	37.1	37.3
Tangible fixed assets	40.2	109.4	110.9
Financial fixed assets	3.1	3.1	3.1
Total fixed assets	**54.0**	**149.7**	**151.3**
Current assets			
Inventories	0	33.9	50.3
Current receivables	14.5	42.9	25.8
Short-term investments	229.0	110.4	163.5
Cash and bank balances	10.2	33.5	19.2
Total current assets	**253.7**	**220.7**	**258.8**
Total assets	**307.7**	**370.4**	**410.1**
Liabilities and shareholders' equity			
Restricted equity	585.1	585.4	570.7
Accumulated deficit/non-restricted equity	-307.3	-265.4	-209.5
Total shareholders' equity Note 1	**277.8**	**320.0**	**361.2**
Provisions	0	3.7	4.4
Long-term liabilities	3.4	4.5	1.0
Current liabilities	26.5	42.2	43.5
Total liabilities and shareholders' equity	**307.7**	**370.4**	**410.1**

Note 1
Change in shareholders' equity (SEK m)

	Restricted equity	Accumulated deficit/ non-restricted equity	Total shareholders' equity
Balance sheet, 31 Dec. 2002	585.4	-265.4	320.0
Transfer between restricted and non-restricted reserves	-0.3	0.3	0
Exchange rate difference		-1.9	-1.9
Net profit		-40.3	-40.3
Balance sheet, 31 Dec 2003	**585.1**	**-307.3**	**277.8**

CONSOLIDATED CASH FLOW STATEMENT

Summary, SEK m

	2003 Jan-Dec	2002 Jan-Dec	2001 Jan-Dec
Ongoing operations			
Operating profit after financial items	-42.7	-64.2	-139.4
Estimated subsidiary tax credit	2.4	4.1	2.8
Adjustment for items not included in cash flow:			
Divestment of subsidiaries	-53.7	0	0
Depreciation, amortization and write-downs	20.4	24.3	22.8
Capital gain/loss on divestment of fixed assets and exchange rate difference	-2.5	-1.3	-4.4
Tax received/paid	1.0	-1.2	-1.4
Cash flow from ongoing operations before change in working capital	**-75.1**	**-38.3**	**-119.6**
Change in working capital	7.7	-0.9	-12.0
Cash flow from ongoing operations	**-67.4**	**-39.2**	**-131.6**
Investment activity			
Acquisition/divestment of tangible fixed assets	-10.0	-20.3	-31.3
Acquisitions of intangible fixed assets	0	-3.4	0
Divestment of subsidiaries	114.1	0	0
Decrease in long-term receivables	59.5	0	0
Received investment contribution	0	0	1.8
Cash flow from investment activity	**163.6**	**-23.7**	**-29.5**
Financing activity			
Financial payments	0	20.5	0
Loans	0	3.7	1.0
Amortization	-0.8	-0.1	0
Cash flow from financing activity	**-0.8**	**24.1**	1.0
Cash flow for the period			
Liquid assets, opening balance*	143.9	182.7	342.8
Change in liquid assets	95.4	-38.9	-160.2
Exchange rate difference, liquid assets	-0.1	0	0.1
Liquid assets, closing balance*	**239.2**	**143.9**	**182.7**

* Liquid assets comprise cash and bank balances, plus short-term investments.
The market value of listed equities, of SEK 10,4 m (9,7) is additional to the above.

KEY FIGURES

	2003 Jan-Dec	2002 Jan-Dec	2001 Jan-Dec
Return on:			
- equity, %	-13.49	-17.60	-31.60
- capital employed, %	-13.91	-18.50	-32.50
- total capital, %	-12.43	-16.30	29.00
Average number of shares, 000	8,590	8,439	8,288
Number of shares, closing balance, 000	8,590	8,590	8,288
Outstanding warrants, 000	449.9	513.4	313.4
Earnings per share, SEK	-4.69	-7.09	-16.38
Shareholders' equity per share, SEK	32.35	37.26	43.58
Cash flow per share after investments, SEK	11.20	-7.45	-19.43
Earnings per share, SEK*	-4.27	-6.42	-15.57
Shareholders' equity per share, SEK*	36.33	42.44	48.14
Equity ratio, %	90.30	86.40	88.10

For forecast year-2004 earnings per share, please refer to the 'Outlook' heading in the section on Medivir's consolidated turnover and costs.
* After full utilization of outstanding warrants.
RR's (the Swedish Financial Accounting Standards Council) instruction No. 18 stipulates that any potential ordinary shares do not give rise to any dilution when their conversion into ordinary shares results in increased EPS, which would occur upon the conversion of Medivir's outstanding warrants. Thus, the above should not be considered a calculation of dilution effects but a theoretical calculation of profit and shareholders' equity per share, after the full exercise of outstanding warrants.