



PRESS RELEASE

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Financial Statement 1 January - 31 December 1999

- Profit after financial items was SEK 21.3 (-38.8) m. Turnover increased to SEK 189.4 (69.5) m. and the company shows a positive cash flow.
- CCS increased its sales by 14.7% to SEK 70.2, while increasing operating profit to SEK 9.4 (6.1) m.
- Phase II trials with MIV-606 against shingles completed with favorable results; Medivir bought back this anti-shingles agent from Abbott at the beginning of the year.
- MIV-150 against HIV outlicensed to Chiron. At the beginning of phase I trials, Medivir had received a total of USD 12.6 m in payment for this anti-HIV agent. Another two key agreements were signed with Chiron.
- Collaboration with AstraZeneca relating to herpes cream ME-609 progressed favorably. Phase II trials began after positive phase I results.
- The revitalized Medivir MIV-310 compound proves effective against multi-resistant HIV; phase II trials planned.
- The Board proposes that no dividends be paid for 1999.

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Forthcoming Reports

- Interim Report for the first quarter published on 3 May 2000.
- Interim Report for the first & second quarters published on 6 July 2000.
- Interim Report for the first-third quarters published on 25 October 2000.

On these dates, the reports will be made available on Medivir's Website, www.medivir.se, under the Financial Information heading. The complete Annual Report will be available during March and can be ordered from Medivir's offices at Lunastigen 7, Huddinge, Sweden. The Annual Report will be distributed to shareholders at that time.

Medivir is a research and development company which develops new and improved pharmaceuticals for the treatment of infectious diseases. The subsidiary company CCS develops, manufactures and markets body-care products and pharmaceuticals. The Group, consisting of the parent company Medivir AB, wholly owned subsidiary CCS AB and British subsidiary CCS(UK)AB, is listed on the O-list of the Stockholm Stock Exchange..

Medivir's Project Portfolio

Explorative	Optimization	Late Pre-Clinical	Phase I	Phase II
Hepatitis C	Prodrugs	FLG Prodrug	MIV-150	MIV-606
Malaria	HIV protease inhibitor		FLT	ME-609
Fungi				
MIV-160				

Phase II Trials with MIV-606 Anti-shingles Agent Concluded with Favorable Results

Clinical phase II trials with the anti-shingles agent MIV-606 (formerly ABT-606) were completed in December 1999. The trials demonstrated that MIV-606 was effective and at least as good as acyclovir, currently the most common pharmaceutical against shingles, despite significantly lower dosage. The trials provided further confirmation that MIV-606 had a favorable safety profile. The study also suggests that there is a correlation between the dose of MIV-606 and the time with post-herpetic neuralgia (chronic pain that is hard to treat). Extensive phase III trials are planned to corroborate these favorable results.

At the beginning of 1999, Medivir bought back the project from Abbott Laboratories, coincident with Abbott's strategic decision to focus its research in other areas. Phase II trials were completed at Abbott's expense. The purchase price of the project and Abbott's manufacturing patent applications amounted to USD 1.9 m and about 59,000 shares in Medivir, through a targeted non-cash issue corresponding to just under 1 per cent of Medivir's total number of shares after the issue and which was approved by the Extraordinary General Meeting on 18 June. Abbott's future rights relating to MIV-606 comprise a minor share of future royalties. Medivir intends to outlicense the project again during 2000.

Phase II Trials with Herpes Cream ME-609 Due for Completion in 2000

Medivir's alliance with AstraZeneca regarding a new (patent pending) treatment principle for cold sores and genital herpes passed phase I with favorable results. Phase II trials with herpes cream ME-609 are underway and are being pursued in collaboration with leading international centers in North America. The study is expected to be concluded in 2000.

Astra Zenca has an option on ME-609 after phase II and when they take over the project Medivir will receive a minor milestone. After launch, Medivir will receive royalty on sales. Medivir's subsidiary CCS is responsible for the development of a new cream base and will probably manufacture any products developed under this alliance, which could generate further revenue for Medivir in connection with this project.

MIV-150 Against HIV Proceeding According to Plan

In January 1999, Medivir signed three important agreements with US pharmaceuticals company Chiron Corporation. The first gives Chiron the exclusive rights to global marketing and sales of the anti-HIV agent MIV-150. Medivir received an initial payment of USD 5 m upon signing the agreement. In addition, Medivir received three milestones totaling USD 7.6 m. Chiron has assumed all further development costs associated with the project. The agreement may yield Medivir a total of USD 35 m if the substance gains pharmaceuticals approval. Medivir will subsequently receive royalty on future sales revenue until the end of 2017. This agreement provided a total of USD 12.6 m in 1999. The second agreement relates to a funded research program relating to new HIV pharmaceuticals which may yield Medivir a total of USD 4 m over two years. According to a third agreement, Medivir also acquired combinatorial chemistry technology.

Chiron and Medivir began phase I trials with MIV-150 in 1999. The trials are being conducted in the UK and are expected to be completed during the year 2000.

Phase II Planned for HIV Drug MIV-310

Medivir has decided to resume clinical development of MIV-310 (formerly FLT). In laboratory tests, MIV-310 (formerly FLT) has proven active against multi-resistant HIV. Laboratory tests at Stanford University confirm Medivir's internal tests. Multi-resistant HIV is a growing problem as multiple resistance arises even in today's combination treatments. Medivir intends to begin phase II during 2000. MIV-310 has already completed phase I.

FLG Against Hepatitis B—Phase I Scheduled for 2000

The development of Medivir's substance FLG, a nucleoside analogue against the hepatitis B virus, has resulted in a prodrug with favorable oral bioavailability, implying that it should be possible to administer it in tablet form. A process for the large-scale synthesis of the substance was developed during the year. Contract laboratories produced FLG ahead of planned phase I trials in 2000. FLG is active against hepatitis B virus which has become resistant to current therapies. Resistance development is also a growing problem with hepatitis B.

Other Research Activities

Medivir is developing a series of extremely active substances (protease inhibitors) against HIV. The research initiatives have been expanded to include variants of the CD selected during the first half of 1999. This optimization work is set to continue throughout 2000. Additional research will be conducted in order to attempt to avoid the side-effects and resistance profile which current protease inhibitors give rise to.

Medivir's prodrug project is intended to modify existing and future pharmaceuticals in order to improve gastro-intestinal absorption. Further international patent applications relating to central parts of the prodrug project were filed in 1999. Initial contacts with pharmaceuticals companies have been made regarding utilization of Medivir's prodrug principle.

Agrivir, Medivir's joint venture with BioAgri, has developed well during the year. Work is proceeding with isolation and structure determination of active components. New laboratory facilities have been constructed and brought on line.

Work with malaria has been expanded to also include malarial protease inhibitors. Previously, substances from Medivir's chemical libraries have been screened for activity against malaria and lead compounds identified.

Research in relation to HCV has continued.

New Head of Research

Last autumn, Professor Bertil Samuelsson was appointed Vice President of Research at Medivir. He has joined us from AstraZeneca where he headed up the Medicinal Chemistry division. Bertil Samuelsson is also Vice-Professor at the Institution of Organic Chemistry at the University of Stockholm. The previous Head of Research, Professor Bo Öberg, will be able to allocate more time to strategic issues and developing collaborations with pharmaceuticals companies and universities.

CCS

CCS launched several new products in 1999; it has developed a new skin-care range, CCS Sport, in partnership with the Swedish National Pharmacy Corporation. The products are aimed at active people. In spring 1999, CCS launched Sport Body Milk and Shower Gel as well as CCS Sport Balsam Deo in the autumn. A foot cream in the same series is being launched during winter 2000. Pro Solid, a new skin-care range, was also launched. The skin-care range is specifically adapted for trade and industry use. CCS new Naturén skin-care range comprising body cleansing and skin-care products was launched through the Hemköp retail chain. Chain stores Life and Ego also stock the new range. CCS also developed and launched two new pharmaceuticals, Karbasal, a softening cream, and Chlorhexidine CCS, a disinfectant solution.

The Medivir Group: Turnover and Profit

The Group

Group turnover was SEK 189,400,000 (69,473,000) in 1999. Operating costs increased to SEK -175,102,000 (-121,474,000). These costs included goodwill amortization of SEK -1,695,000 (-1,695,000). The net financial position was SEK 4,929,000 (12,666,000). Profit after financial items amounted to SEK 21,308,000 (-38,785,000). Earnings per share stood at SEK 3.24 (-5.87).

Medivir AB

Medivir AB's turnover was SEK 119,549,000 (8,572,000) in 1999. The increase is entirely attributable to remuneration received from Chiron Corporation relating to HIV pharmaceutical MIV-150.

Operating costs amounted to SEK -111,615,000 (-64,569,000), distributed over external costs SEK -80,244,000 (-41,593,000), personnel costs SEK -27,702,000 (-19,958,000) and depreciation SEK -3,669,000 (-3,018,000). The cost increase is attributable to increased research expenses attendant to more projects in costly clinical trials and higher personnel costs because of the recruitment of more researchers. Additionally, residual remuneration to Eli Lilly was paid in the first quarter of the year, plus payment to Chiron Corporation for access to combinatorial chemistry technology.

Depreciation has increased primarily as a result of investments in new research equipment. Furthermore, depreciation was affected by the fact that the 1998 investments in the refurbishment of chemistry and biology laboratories and associated research equipment are depreciated over a full year compared to the investment year.

Operating profit amounted to SEK 8,666,000 (-55,916,000). The profit improvement largely related to the outlicensing of MIV-150 to Chiron, which raised around USD 12.6 m.

The increased inventories is due to the repurchase of MIV-606.

The personnel was increased by seven researchers and a new Vice President, Research in 1999.

The CCS Group

The CCS group's turnover increased by 14.7 per cent in 1999, reaching SEK 70,231,000 (61,184,000), of which SEK 3,040,000 (2,455,000) related to CCS (UK) Ltd. The sales gains are attributable to a healthy sales performance for CCS' biggest client, Apoteket AB (The Swedish National Pharmacy Corporation), and the fact that CCS completed a number of successful product launches and began more active marketing initiatives with personal sales. All product areas with the exception of the Minilancet returned significant sales gains in 1999.

Despite sharply higher marketing and launch costs, operating profit rose to SEK 9,418,000 (6,346,000), implying an operating margin of 13.3 (10.0) per cent. The margin expansion is largely derived from more efficient flows in the company's factory and a more structured approach to purchasing. The margin gains achieved in 1999 were reinvested in increased marketing initiatives. The net financial position deteriorated during the year, although profit after financial items still increased to SEK 9,610,000 (6,669,000).

CCS (UK) Ltd.'s sales were SEK 3,040,000 (2,455,000) in 1999, corresponding to sales growth of 20 per cent. Of CCS AB's product sales, SEK 17,459,000 (16,948,000) comprised contract manufacture and SEK 14,313,000 (15,100,000) export sales.

CCS' sales by product area, 1999

	1999 %	1999, SEK m	1998, SEK m
Ordinary retail goods	55.8	39.2	32.8
OTC pharmaceuticals	18.1	12.7	8.9
Sterile solutions	7.8	5.4	4.4
Minilancet	12.1	8.5	11.2
Dental products	4.3	3.0	2.6
Other	2.0	1.4	1.3
Total (Incl. UK)	100	70.2	61.2

Financial Position

Group liquid assets including short-term investments amounted to SEK 147,625,000 (133,334,000) at year-end. The market value of quoted shares, amounting to SEK 10,466,000 (11,107,000) is additional. There were no interest-bearing liabilities at the end of 1999.

During 1999, shareholders' equity increased to SEK 238,478,000 (210,539,000). The group equity ratio was 85.7 (89.4) per cent at the end of the year.

Investments

Gross investments in group fixed assets were SEK 8,194,000 (15,746,000) in 1999. Of these, SEK 3,871,000 (7,295,000) related to investments in Medivir AB and SEK 4,323,000 (8,451,000) in the CCS group. Investments in plant and other technical facilities relating to production with CCS amounted to SEK 3,579,000 (3,048,000). Investments in equipment amounted to SEK 4,127,000 (8,603,000), primarily relating to building and research equipment with Medivir. Investments in buildings of SEK 488,000 (3,206,000) primarily relates to Medivir's building extension for combinatorial chemistry. Sales of fixed assets totaled SEK 337,000 (90,000) in 1999.

Medivir's Board has approved a building extension of approximately 500 square meters and research equipment relating to combinatorial chemistry and high-throughput screening (HTS). The investment is estimated to amount to SEK 20 m. The refurbishment is expected to be complete during spring 2000.

Inter-Company Dealings

Purchases from subsidiaries totaled SEK 381,000 (283,000) during the financial year. Sales from subsidiaries to second-tier subsidiaries amounted to SEK 1,271,000 (883,000). No purchases were made by second-tier subsidiaries.

Human Resources

The Medivir Group's headcount increased by 9 per cent to 109 (100) people in 1999. The number of employees in Medivir AB was 49 (41) at the end of 1999. The average number of employees was 94 (84) during the year.

The Year 2000

Since 1998, Medivir AB has been implementing measures deemed necessary to eliminate the problems and reduce the risks associated with the new millennium. Medivir has effected a highly organized year 2000 program with clearly defined areas of responsibility within the affected parts of the company. Medivir's Y2K project covered four areas: systems, suppliers, facilities and products. All critical business systems had been secured by 30 June 1999. The measures taken had favorable results and the transition was problem free.

Share Price Performance

At the end of 1999, the number of outstanding shares was 6,655,022, comprising 660,000 class A shares and 5,995,022 class B shares. With full subscription of outstanding warrants, the total number of shares would be 6,988,522.

Dividends

The Board proposes that no dividends be paid out for the 1999 financial year.

Annual General Meeting

The Annual General Meeting will take place on 29 March 2000 at 5:00 p.m. in the *Polstjärnan* Auditorium, Sveavägen 77, Stockholm, Sweden.

Nomination Committee

Nominations for new Board members should be made to the Nomination Committee, comprising Bo Öberg, Berndt Sjöberg and Lennart Philipson (+46 8 728 7333).

Outlook

During 2000, Medivir intends to expand its operations further. Research costs are expected to increase to approximately SEK 100 m. Medivir expects to receive revenue from Chiron corresponding to SEK 24 m in 2000 under the funded research programme MIV-160. In addition, Medivir will receive milestone payments for ME-609 and MIV-150 clinical trials proceed. Furthermore, MIV-606 and MIV-310 can both be expected to generate significant revenue in connection with outlicensing. If the outlicensing activities prove successful, Medivir is expected to cover its research costs with license revenue together with other revenues and would thus expect to break even in the year 2000.

Huddinge, Sweden, 9 February 2000

Medivir

The Board

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

Consolidated Income Statement in Summary (SEK 000)

	1999 Jan-Dec	1998 Jan-Dec	1997 Jan-Dec
Turnover etc.			
Net sales	189 400	69 473	82 379
Change in inventories	1 275	301	-1 505
Other turnover	806	249	570
Total turnover etc.	191 481	70 023	81 444
Operating costs			
Raw materials and supplies	-29 287	-28 083	-26 557
Other external expenses	-92 756	-50 333	-32 011
Personnel expenses	-44 245	-35 503	-29 077
Depreciation	-8 814	-7 555	-6 028
Total operating costs	-175 102	-121 474	-93 673
Operating profit	16 379	-51 451	-12 229
Profit from financial investments			
Profit from other securities and receivables	226	5 314	153
Other interest income, etc.	4 739	7 513	9 575
Interest expenses, etc.	-36	-161	-60
Total profit from financial investments	4 929	12 666	9 668
Profit after financial items	21 308	-38 785	-2 561
Tax*	164	95	-85
Net profit for the period	21 472	-38 690	-2 646

* No tax liability arises for 1999 as the result for the previous year entailed a deficit for tax purposes. The positive tax post for 1999 relates to dissolution of untaxed reserves.

Consolidated Balance Sheet in Summary (SEK 000)

	1999 31 December	1998 31 December	1997 31 December
ASSETS			
Fixed assets			
Intangible fixed assets	26 481	28 176	29 871
Tangible fixed assets	51 225	50 487	40 873
Financial fixed assets	3 133	3 133	5 207
Total fixed assets	80 839	81 787	75 951
Current assets			
Inventories	36 094	10 504	1 015
Current receivables	13 583	9 845	16 802
Cash, bank balances and short-term investments	147 625	133 334	174 137
Total current assets	197 302	153 683	191 954
Total assets	278 141	235 470	267 905
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	238 478	210 539	247 412
Provisions	6 245	6 498	6 752
Long-term liabilities	0	0	0
Short-term liabilities	33 418	18 433	22 741
Total liabilities and shareholders' equity	278 141	235 470	276 905

CASH FLOW STATEMENT (SEK 000)**The Medivir Group**

	1 Jan 99- 31 Dec 99	1 Jan 98- 31 Dec 98	1 Jan 97- 31 Dec 97
Ongoing operations			
Operating profit after financial items	21 308	-38 785	-2 561
Adjustment for items not included in the cash flow:			
Depreciation	8 814	7 555	6 028
Capital gains(-) / loss (+) on divested fixed assets	-12	-5 113	-34
Tax paid	9	-184	-375
Cash flow from ongoing operations before change in working capital	30 119	-36 527	3 058
Increase in inventories*	-19 123	-487	-237
Increase (-) / decrease (+) in receivables	-3 737	6 957	-7 552
Increase (+) / decrease (-) in current liabilities	14 889	-4 279	11 540
Cash flow from ongoing operations	22 148	-34 336	6 809
Investment activity			
Acquisitions of tangible fixed assets	-8 194	-15 746	-23 718
Disposals of financial fixed assets	0	7 183	0
Associated companies	0	-50	0
Disposals of tangible fixed assets	337	90	35
Cash flow from investment activity	-7 857	-8 523	-23 683
Financing activity			
Warrants issued	0	1 816	0
Investment resources allocated for property in CCS (UK) Ltd.	0	240	0
Debt amortization	0	0	-300
Cash flow from financial transactions	0	2 056	-300
Cash flow for the year			
Liquid assets, opening balance**	133 334	174 137	191 311
Change in liquid assets	14 291	-40 803	-17 174
Liquid assets, closing balance**	147 625	133 334	174 137

Comparative figures for previous years have been recalculated to conform to the format of the new Cash Flow Statement.

* During 1999, inventories increased by SEK 25,589,000 for the Group and SEK 22,535,000 for Medivir AB relating to MIV-606, of which SEK 6,466,000 was financed by a targeted non-cash issue.

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

Financial Ratios	1999 Jan-Dec	1998 Jan-Dec	1997 Jan-Dec
Return on:			
– shareholders' equity, %	9.6	-16.9	-1.1
– capital employed, %	9.5	-16.9	-1.0
– total capital, %	8.3	-15.1	-0.9
Average number of shares, thousands*	6 626	6 596	6 596
Number of shares at the end of the period, thousands*	6 655	6 596	6 596
Earnings per share, SEK*	3.24	-5.87	-0.40
Shareholders' equity per share, SEK*	35.83	31.92	37.51
Cash flow per share, SEK*	2.16	-6.50	-2.53
Earnings per share, SEK**	3.33	-5.31	-0.11
Shareholders' equity per share, SEK**	41.79	38.11	43.43
Equity ratio, %	85.7	89.4	89.3

Earnings per share, forecast for 2000, approx. SEK 0.00.

* Adjusted for bonus issues and split.

** Adjusted for bonus issues and split and after full exercise of outstanding warrants.

Consolidated Income Statement in Summary (SEK 000)

	1999 Oct-Dec	1998 Oct-Dec	1997 Oct-Dec
Turnover etc.			
Net sales	36 774	17 099	18 804
Change in inventories	948	261	1 354
Other turnover	45	190	292
Total turnover etc.	37 767	17 550	20 450
Operating costs			
Raw materials and supplies	-7 560	-6 641	-7 119
Other external expenses	-19 169	-19 691	-11 715
Personnel expenses	-14 569	-10 063	-8 867
Depreciation	-2 203	-2 092	-1 729
Total operating costs	-43 501	-38 487	-29 430
Operating profit	-5 734	-20 937	-8 980
Profit from financial investments			
Profit from other securities and receivables	226	5 156	20
Other interest income, etc.	1 291	1 796	2 359
Interest expenses, etc.	11	-142	4
Total profit from financial investments	1 528	6 810	2 383
Profit after financial items	-4 206	-14 127	-6 597
Tax	164	95	1 438
Profit for the period	-4 042	-14 032	-5 159