



**Press release, 16 March 2004**

## **SEK 322m rights issue in Medivir**

- Major progress has recently been made in two of Medivir's late pre-clinical projects, Cathepsin S (inflammatory diseases) and Cathepsin K (osteoporosis). The company now wants to ensure sufficient resources to run these projects in the clinical phase.
- Progress in the existing clinical portfolio (HIV and herpes) has advanced to the point where the establishment of a Nordic sales organisation is close at hand. Medivir also intends to acquire further product rights to complement its own product portfolio. With regards to future licensing agreements of its products, the company wants to ensure that it has sufficient financial resources so that it can waive down payments entirely or in part in exchange for such product rights.
- Therefore, the Board of Medivir AB decided on 15 March 2004 to conduct a new share issue of approximately SEK 322m. The decision is conditional on approval by the shareholders' meeting.
- For every two old class A and/or class B shares, the company's shareholders will be entitled to subscribe for one new class B share for SEK 75.

### ***A strong base for creating a profitable pharmaceutical company***

Medivir aims to retain as large a share as possible of the commercial value of its projects, and to become a profitable pharmaceutical research company with its own sales organisation for specialist products on the Nordic market. Medivir currently has nine co-operation agreements with eight pharmaceutical companies. Seven of these agreements were signed in the past two years. In 2003, the economic value of the HIV projects in particular were validated through agreements entered into with Boehringer Ingelheim and GlaxoSmithKline. This has led to a lower risk level and a significant increase in future potential license payments and royalty income. The total value of Medivir's license agreements, if all of the products reach the market, could exceed SEK 2,000m excluding royalty income.

### ***Major progress in late pre-clinical projects***

Recently, Medivir has made major progress in its protease projects, particularly with the late pre-clinical projects, Cathepsin S and Cathepsin K. These projects aim at developing totally new classes of pharmaceuticals with major market potential in the fight against widespread diseases such as rheumatoid arthritis (RA), multiple sclerosis (MS), chronic pain disorders and osteoporosis. For Cathepsin S inhibitors, a major patent has recently been approved in Europe. Cathepsin S is part of the inflammatory processes that have recently been demonstrated to be of importance also in chronic pain. The Cathepsin S project is being carried out together with the American research company Peptimmune.

Industrial interest in Cathepsin K has increased enormously since Novartis confirmed the importance of Cathepsin K in the osteoporosis disease process in a clinical phase IIa study in 2003. Cathepsin K inhibitors may also be of importance in preventing tumour metastasis to bone and for treating arthritis.

### ***Research advances make possible a more offensive strategy***

Medivir would like to ensure sufficient resources to take the two Cathepsin projects further than previously intended. This would substantially increase Medivir's share of the commercial value of the projects. The background for this decision is that the risk level of the Cathepsin projects has recently decreased and the number of potential indications has increased, while the projects in the clinical portfolio have developed well. These developments make possible a more offensive strategy.

### ***Labial herpes project ME-609 approaching Phase III***

The ME-609 internal project (labial herpes) is currently being prepared for Phase III. A strong capital base also offers increased flexibility when selecting a partnership model, for example by continued development via joint ventures, in order to assure that Medivir's shareholders receive the highest possible value from the product.

### ***Own Nordic sales organisation***

Medivir has chosen to retain the Nordic rights to all of its outlicensed products. Several of these projects have advanced to the point where the establishment of a Nordic sales organisation is close at hand. In addition, Medivir intends to acquire the product rights for the Nordic market, for example in connection with future licensing agreements. This would represent a more cost-effective utilisation of the future sales organisation. An injection of capital would also create the financial clout to enable down payments to be replaced entirely or in part by product rights in future new partnerships. The company believes that it will be possible to create the sales organisation needed to sell the company's own specialised products and products acquired by in-licensing in a cost-effective manner.

### ***Rights issue***

In view of the above, the Board of Medivir AB on 15 March 2004 resolved on a new issue of shares with preferential rights for the company's shareholders. The decision is conditional on approval by the shareholders' meeting. The new shares will be issued at a price of SEK 75 per share. Every two class A and/or class B shares give entitlement to subscription for one new class B share. If the offer is not fully subscribed, it will be possible to subscribe without preferential rights. When allocating shares as a result of the latter type of subscription, those shareholders who have utilised the subscription rights for acquisition of new shares will be given preference.

The new issue implies that a maximum of 4,299,682 new class B shares will be issued, by which Medivir will obtain a maximum of SEK 322.5m before issue costs, if the issue is fully subscribed.<sup>1</sup>

### ***Schedule***

Annual general meeting (AGM)	22 April 2004
Final day for trading in Medivir's shares with participation rights	22 April 2004
First day for trading in Medivir's shares ex rights	23 April 2004
Record day for participation in rights issue	27 April 2004
Subscription period	3 – 25 May 2004
Trading in subscription rights	3 – 19 May 2004

Handelsbanken Capital Markets is financial adviser to Medivir in connection with the preferential rights issue.

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<sup>1</sup> Through utilisation of existing warrants, the number of shares covered by the issue, and thus the proceeds of the issue accruing to the company, may be increased.

16 March 2004  
Huddinge, Sweden  
Medivir AB  
The Board

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***Medivir in brief***

*Medivir is an innovative, specialised research company that develops pharmaceuticals with the aim of becoming a sustainable and profitable pharmaceuticals company. The company is located in Huddinge, Sweden and Cambridge, UK.*

*Medivir's research focuses on developing new pharmaceutical substances based on polymerases and proteases as target enzymes. The Group comprises Medivir AB, its subsidiary Medivir UK Ltd. and Medivir Personal AB. At the end of 2003, the Group had 109 employees. In 1996, Medivir was listed on the Stockholm Stock Exchange and since 1 July 2003, the company's shares are traded on the Attract40 segment of the O-list.*

*The research portfolio includes projects in the areas of HIV infection, hepatitis, 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. The company's broad pre-clinical research portfolio includes five defined projects and some ten activities in different pre-clinical phases.*

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