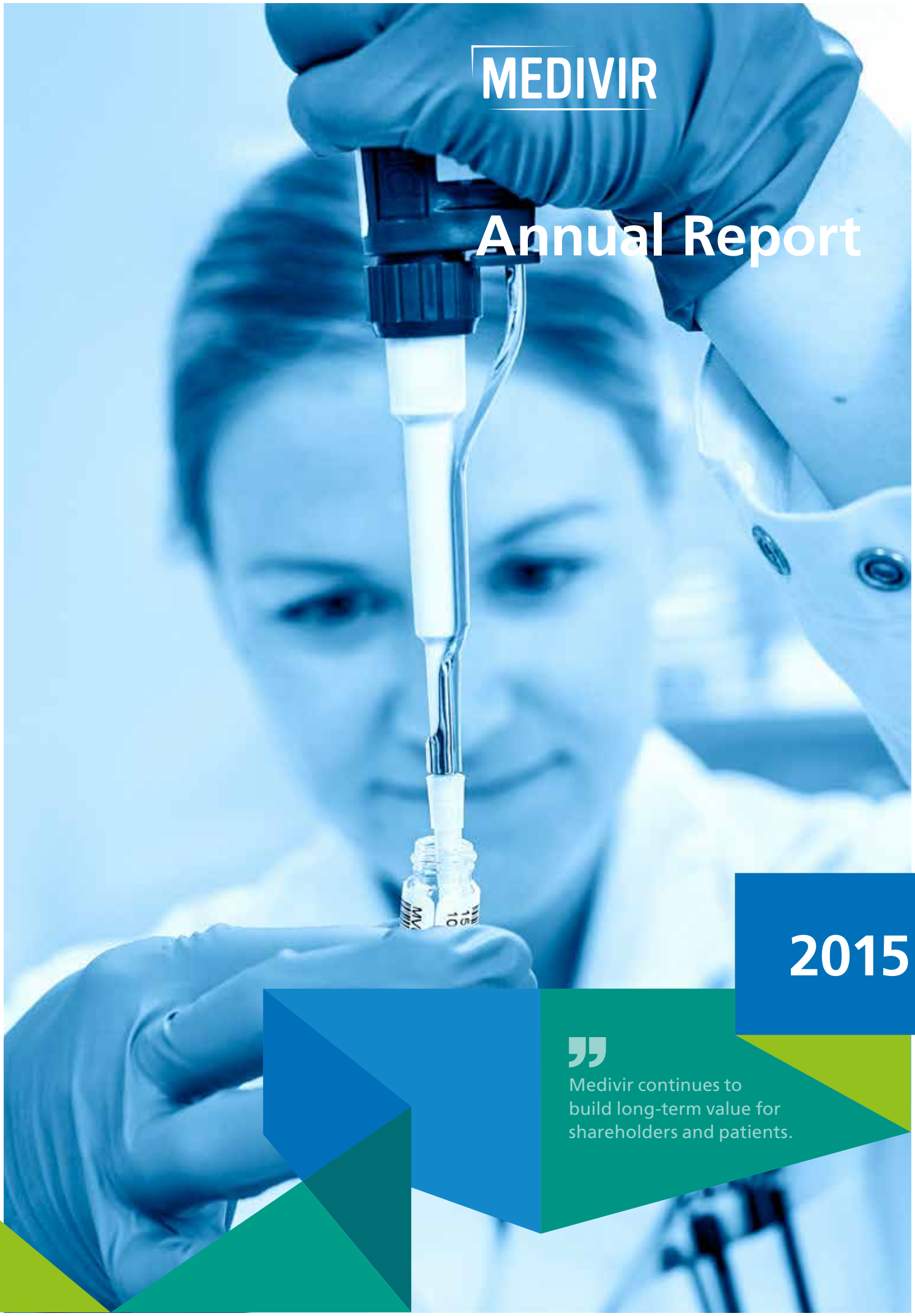


MEDIVIR

Annual Report

2015

Medivir continues to build long-term value for shareholders and patients.

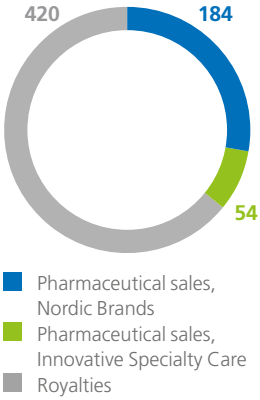
Medivir is a research-based pharmaceutical company with a research focus on oncology and infectious diseases. We endeavour to develop innovative pharmaceuticals that meet substantial unmet medical needs. Our R&D portfolio is based on our established and proven technology platform.

The pharmaceutical development work is conducted both in-house and through partnerships, usually with global pharmaceutical companies. Medivir also markets a portfolio of specialty care pharmaceuticals in the Nordic market.

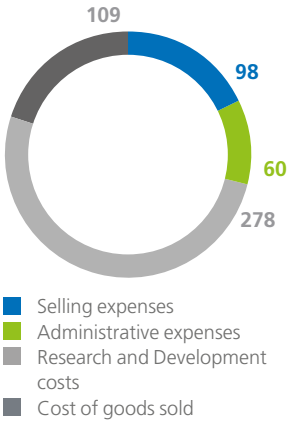
The year in figures

- Net turnover totalled SEK 657.9 million (1,767.0 m), of which SEK 418.6 million (1,399.0 m) comprised full year royalties for simeprevir.
- Revenues from Medivir's own pharmaceutical sales totalled SEK 237.5 million (366.8 m), of which SEK 53.0 million (186.4 m) derived from sales of OLYSIO® and SEK 184.5 million (180.4 m) from sales of other pharmaceuticals.
- The profit after tax was SEK 75.1 million (1,132.7 m).
- Basic and diluted earnings per share totalled SEK 2.59 (36.24) and SEK 2.56 (35.90), respectively.
- The cash flow from operating activities amounted to SEK 307.4 million (1.011.9 m).

Net turnover (SEK m)



Operating expenses (SEK m)



Key ratios, SEKm	2015	2014	2013	2012	2011
Net turnover	658	1,767	446	171	513
Operating profit	115	1,189	25	–201	115
Liquid assets	1,078	1,396	402	297	536
Equity/assets ratio, %	90	91	86	81	81
Number of employees med-arbetare	127	141	128	117	168

Significant events

- The new oncology focus area generated the first cancer project, targeting hepatocellular cancer.
- SEK 600 m was transferred to shareholders via a voluntary redemption programme.
- Royalties for OLYSIO® (simeprevir) fell due to globally launched competing pharmaceuticals.
- Simeprevir continued to be developed as part of several combination studies being conducted by our partner.
- Changes to the management structure, and to the R&D and commercial operations, resulted in a leaner, more efficient organisation.

Contents

In the event of any discrepancies between the Swedish and the English Annual Report, the former should have precedence.

We continue to build long-term value

Medivir continued to build long-term value in 2015 via a R&D portfolio based on our established and proven technology platform.

All pharmaceutical development is characterised by a long-term approach in which individual projects are progressed, step by step, towards launch. 2015 saw us take a number of these steps within our projects and this, in turn, yielded a number of important new milestones on which to focus in 2016 and 2017.

One of the most important of these steps was the completion, according to plan, of safety testing in our MIV-711 osteoarthritis project, followed, at the end of the year, by the approval to start a phase II trial on osteoarthritis patients. This trial is extensive and we anticipate being able to present the results in Q3 2017. Our hope is that the trial will confirm the results we have achieved to date and demonstrate that MIV-711 can slow the progression of the disease in osteoarthritis patients. Demonstrating this would constitute important progress in this area as there are currently no drugs available that impact the actual disease: osteoarthritis is currently treated symptomatically with a combination of analgesic preparations and lifestyle modification and/or surgery.

In the oncology area, the development of our HCC project for the treatment of liver cancer took a further step forward from the earlier identification of promising compounds. The project's goal is to develop nucleotide-based pharmaceuticals that specifically target the liver. We anticipate commencing safety testing as part of this project in Q4 2016. In the longer term, we envisage other projects for treatment of oncology indications, based on our technology platform.

The preclinical safety studies of the MIV-802 project for the treatment of hepatitis C were completed according to plan at the end of 2015 and now form the basis for continued discussions with potential partners.

2015 also saw progress in our out-licensed partnership projects. The launch by our partner, Janssen, of a clinical phase IIa trial with a simeprevir-based triple combination treatment of chronic hepatitis C was an important instance of this progress. If the trial is successful, it will pave the way for an important new area of use for simeprevir as part of a new combination treatment regimen. Janssen anticipates being able to present the results of the trial in Q3 2016. 2015 also saw us take another important step forward in our efforts to focus on our core areas when we withdrew from neuropathic pain research by winding up the development of the cathepsin S inhibitor, MIV-247, after unfavourable results from preclinical safety trials.

The results of one of the early research projects failed to live up to expectations, and the ADAM8 inhibitor project for pancreatic cancer was consequently terminated after an internal review.

Our Nordic pharmaceutical sales organisation, comprising Innovative Specialty Care and Nordic Brands, underwent a realignment of the organisation in line with the reduced sales of OLYSIO® in the Nordic market and this, coupled with the price increases implemented, resulted in improved profitability. We are now working towards a further improvement in the gross margin of Nordic Brands and to in-license additional products in the area of Innovative Specialty Care.

We also implemented a number of other organisational changes as part of our ongoing efforts to improve operational efficiency. These changes included the launch of a partnership with GVK Biosciences in India, where all of our outsourced synthetic chemistry activities have now been concentrated. This will result both in a reduction in costs and an increase in flexibility, but the changes did, unfortunately, also mean that some of the personnel at our research units in Sweden and the UK were made redundant. We also amalgamated our research and development work under the banner of a single combined unit that spans the entire spectrum from early stage research to clinical development phases. We also created a new function, Strategic Regula-

> We have a good starting point, with highly competent employees and a number of promising projects in development.

tory Affairs, which will house all regulatory skills and areas of responsibility. I am convinced that this measure will generate further improvements in our ability to develop and prioritise in ur research and development operations.

There is, in other words, a promising developmental trend, both in our own research and in our partnership projects, but we are also endeavouring to expand our portfolio, primarily due to the fact that an increase in the number of projects can reduce the uncertainty that is always associated with pharmaceutical development. The primary focus of our search is on oncology projects in clinical phase, and we are working with a structured process that includes a clear list of criteria in order to identify suitable candidates for in-licensing or acquisition. We hope to see the results of this work in 2016.

Medivir is, fundamentally, a research-based company whose core business entails generating long-term value for its shareholders, its patients, for ourselves, and for society as a whole. We shall build this value, both responsibly and over time, taking both people and the environment into account throughout our value chain. We have a good starting point, with highly competent employees and a number of promising projects in development, and our strong financial position affords us the potential to conduct long-term projects and to complement our portfolio with new projects. I look forward to and have every confidence in Medivir's ongoing value generation.

Niklas Prager
President & CEO

Business concept, strategy and goals

Business concept

We have a leading expertise in the design of protease inhibitors and in the science of nucleotides and nucleosides and are dedicated to the development of innovative pharmaceuticals that meet substantial medical needs.

Goals

Our long-term goal is to deliver sustainable value growth.

Strategic priorities

In order to achieve this goal, Medivir focuses on its in-house research and development, on adding new clinical research projects, and on expanding its existing product portfolio through the in-licensing of new, innovative, specialty care pharmaceuticals.

Medivir has four overall strategic priorities. They are based on our leading research and development expertise, business development capabilities, and commercial strength in the Nordic market.

1. Strengthen the project portfolio and our ability to realise its values.
2. Be an attractive employer and a respected partner for in- and out-licensing.
3. Generate income streams from milestone payments and royalties.
4. Generate added value through the Nordic platform.

Our ambition is to maximise the value of every single project and to be a strong partner for global pharmaceutical companies, and to generate the preconditions for commercial expansion through in-licensing of innovative specialty care pharmaceuticals for the Nordic market.

For a more detailed overview, please see the model on the following page.

Achieved goals in 2015

Medivir made considerable and important progress in 2015 in the contexts both of its projects and of its operations as a whole. This, in turn, laid the foundations for a number of new milestones and activities in 2016 and 2017.

- First *in vivo* efficacy studies were initiated with advanced leads from HCC nucleotide project in progress.
- Phase II-enabling safety studies with MIV-711 were completed and regulatory approval obtained for the first phase IIa trial in the EU.
- Phase I-enabling safety studies with MIV-802 completed.
- Janssen launched a phase I trial of AL-704. The project was terminated in December 2015.
- Janssen began a phase II simeprevir-based 3DAA combination treatment trial.
- Price increases implemented in Nordic Brands.
- Increased cost flexibility through partnership with GVK BIO.
- Foreign ownership increased from 28% to 43% in 2015.

Important milestones

- Phase IIa trial of MIV-711 begins (Q1 2016).
- Janssen's simeprevir-based 3DAA phase II trial completed (Q3 2016).
- Safety studies begin as part of the HCC nucleotide project (Q4 2016).
- Strengthening of the project portfolio, including potential acquisitions.
- Partnership discussions for MIV-802.
- In-licensing of products for the Nordic market.
- Ongoing improvements to the Nordic Brands gross margin.
- Full effect of completed organisational changes on costs realised.

Business concept

1 Strengthen the project portfolio and our ability to realise its values

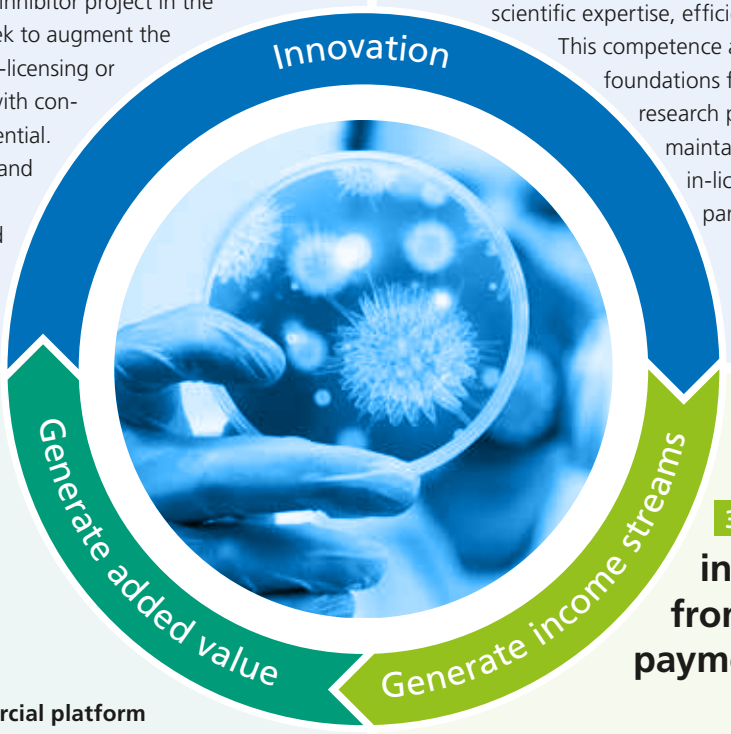
Ensure a constant flow of projects within our core competency areas of oncology and infectious diseases, and progress selected projects forward into clinical phase development.

Medivir has documented successful R&D operations that are based on building long-term value. Our innovation focuses on areas with a substantial need for new medical treatments that can generate real patient benefit. Our focus is on the therapeutic areas of oncology and infectious diseases, and on the ongoing clinical stage protease inhibitor project in the area of osteoarthritis. We seek to augment the R&D portfolio through the in-licensing or acquisition of new projects with considerable developmental potential. Medivir maximises the value and minimises the risk of projects from the discovery phase and onwards through clinical development.

2 Be an attractive employer and a respected partner for in- and out-licensing

Medivir's ability to attract, retain and develop competent and innovative employees and to act credibly and professionally in all dealings with existing and potential partners is a key prerequisite for our long-term value creation.

Medivir endeavours to attract, retain and develop competent and innovative employees and to continue to develop a corporate culture characterised by cutting-edge scientific expertise, efficiency, quality and compliance. This competence and efficiency are important foundations for building value within the research portfolio and for forging and maintaining good relationships with in-licensing and out-licensing partners.



3 Generate income streams from milestone payments and royalties

Implement the successful out-licensing of projects from our research and development activities that generate milestone payments and royalties.

Once the maximum value has been generated, selected projects are out-licensed to partners, usually in the form of global pharmaceutical companies, who assume responsibility for the cost-intensive late phase development and commercialisation globally. This helps to spread the risk and to ensure access to the resources and financing necessary for the projects to succeed. These collaborations and partnerships generate income through milestone payments during development and through royalties after a product has reached the market.

4 Generate added value through the Nordic platform

Exploit the Nordic commercial platform and develop the Innovative Specialty Care product portfolio through the in-licensing of pharmaceuticals with a clear commercial focus.

Medivir intends to retain the rights to sell and market its in-house developed specialty care pharmaceutical products for the Nordic market. In-licensing also enables Medivir to expand its pharmaceutical portfolio through the addition of innovative specialty care pharmaceuticals. Sales of the established brands that make up the company's Nordic Brands complement the Specialty Care portfolio. This combination generates economies of scale. The marketing organisation covers Sweden, Norway, Denmark and Finland has wide-ranging competence in the efficient registration, launch, marketing, sale and distribution of pharmaceuticals. The Nordic pharmaceutical sales generate stable cash flows.

Patients are gaining greater influence over their own treatment and will drive demand for improved treatments.

The market

The global pharmaceutical market is undergoing comprehensive changes that both pose challenges and offer opportunities for Medivir.

A combination of structural, demographic and economic factors are continuing to bring about changes in the pharmaceutical sector, including national pricing pressure on pharmaceuticals, increased competition from generics, and an increased focus on the development of pharmaceuticals for rarer diseases that affect a smaller percentage of the population. Taken as a whole, these trends pose a number of challenges, but they also offer substantial opportunities for Medivir and other pharmaceutical companies.

Challenges

Patent expiries

Patent expiries will mean substantial losses in revenues for the major pharmaceutical companies in the next few years as the competition from generics increases.

Stricter official requirements

Regulatory requirements with regard to safety and efficacy before granting approval for a pharmaceutical are becoming increasingly stringent. This results in increased costs in connection with more comprehensive clinical documentation, and companies demanding more of the quality and innovation of their operations.

Savings requirements in public sector health care budgets

Many public sector health care budgets are under severe pressure, increasing the demand for demonstrated cost-effectiveness in pharmaceutical products before reimbursement is granted.

Opportunities

Population and lifespan increases

The global population is expected to rise from 7 billion to over 9 billion by 2050, according to the UN, and the percentage of the population over the age of 65 is expected to double over the next 20 years. Both of these factors are important driving forces in the demand for pharmaceuticals and health care.

Health reforms and increased subsidies

Two of the world's biggest countries, the USA and China, are implementing health care reforms that will give their uninsured citizens access to some form of health care. The reforms are expected to boost sales substantially, particularly in China. Other countries are expected to implement similar reforms in the longer term.

Increased patient power

Patients are gaining greater influence over their own treatment and will drive demand for improved treatments. This is a natural component of a trend whereby people learn more about their diseases.

Medivir's position

As a smaller, niche-orientated company, Medivir is well-positioned in this changing pharmaceutical market and has the potential to benefit from the prevailing trends. For Medivir, the changes in the outside world mean, amongst other things, an increase in the need for strategic partnerships and in the importance of developing innovative, new, specialty care pharmaceuticals. The company's development is, at the same time, supported by the long-term, strong underlying demand for pharmaceuticals. It is of the utmost importance to value generation that we optimise the interaction between the company's unique, cutting-edge competence, our partners, and other health care stakeholders.

> Current trends are posing a number of challenges – but also offering real opportunities – for Medivir and other pharmaceutical companies.

The pharmaceutical development process

The development of a new pharmaceutical normally takes between 10 and 15 years. The initial phase can involve thousands of compounds that are tested as potential candidates for further development into pharmaceuticals. It is important, at this stage in the process, to establish the chemical compounds' ability to affect the activity that causes or drives disease progression. The goal is to identify classes of compounds that look promising for further optimisation.

Optimisation phase

The molecules' properties are optimised with regard to safety, efficacy and pharmacokinetics, and their potential benefits in comparison with other similar pharmaceuticals are evaluated. This work results in the selection of one or more candidate drugs for further development.

Preclinical development

A systematic and comprehensive evaluation is performed in order to establish whether the substance is safe enough to enter trials on human beings. If these studies show that the substance has an appropriate safety and efficacy profile, an application is made to the relevant regulatory agencies and ethical review boards for permission to initiate clinical studies, together with details of the design of these trials.

Clinical trials

Clinical trials for a new pharmaceutical product involves studies or trials conducted on human beings. These trials are carefully regulated by the requirements of the regulatory agencies. Before a clinical trial can begin, both the regulatory agency and ethical review boards must approve the design of the clinical trial. The process involves several different phases (phase I-IV). Phase IV studies are conducted in parallel with approved usage of the pharmaceutical.

Phase I

Test subjects:
20 to 100 subjects. Usually these are healthy volunteers but the studies may also include patients with the disease in question.

Duration of studies:
Between a few months up to a few years.

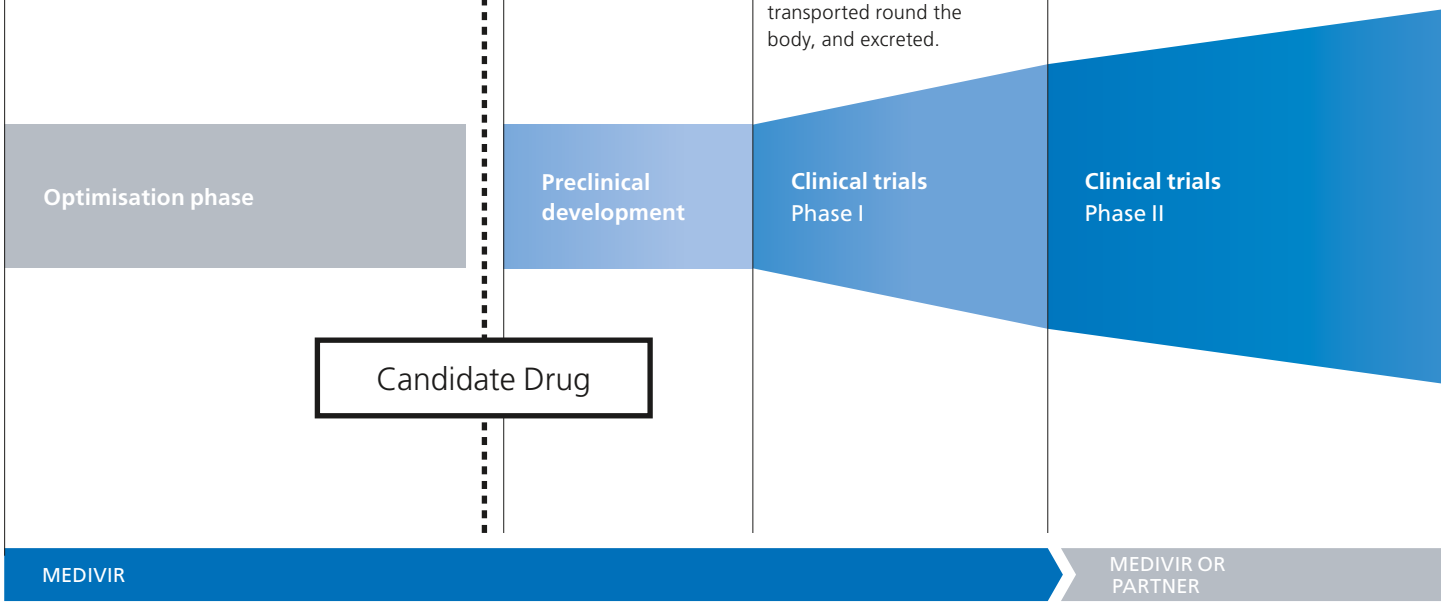
Purpose: To establish safe doses and identify possible adverse events, and to understand how the pharmaceutical is absorbed, transported round the body, and excreted.

Phase II

Test subjects:
Up to a few hundred patients with the disease/ symptoms.

Duration of studies:
Between several months and several years.

Purpose: To study efficacy and adverse events profiles in order to determine an optimum dose or dosage range.



Phase III

Test subjects: Between several hundred and several thousand patients with the disease/symptoms.

Duration of studies: This phase can take up to several years.

Purpose: To study the efficacy and adverse events profiles in larger patient groups, including comparative studies with existing treatments or placebos, in order to evaluate the benefit/risk profile in a statistically reliable way and thereby provide the necessary evidence to secure marketing authorizations and support reimbursement.

Registration

Before a pharmaceutical product is approved an application for a licence to market the pharmaceutical has to be submitted. The regulatory agencies conduct a detailed review of the comprehensive documentation submitted by the company and then decide on whether to approve the pharmaceutical, and in which patient populations. This stage also involves price negotiations with the relevant authorities and purchasers.

Launch and sale

Additional clinical trials may be conducted once a pharmaceutical has been approved by a medicines agency and launched on the market, in order to optimise the drug's usage. These so-called phase IV or post marketing surveillance trials are conducted in parallel with approved usage of the pharmaceutical.

Research and development

Medivir's operations are based on the company's established and proven technology platform. Our research resources are focused on our core areas of oncology and infectious diseases.

Medivir's original technology platform was based on cutting-edge competence in the generation of analogues of nucleosides, the building blocks of DNA and RNA. These molecules play a key role in the treatment of virtually all viral diseases for which an effective antiviral treatment exists. The development of Xerclear (Zoviduo®), which was approved for the treatment of labial herpes in 2009, is proof of Medivir's successful research in this area.

The technology platform was subsequently expanded through the addition of expertise in the field of protease inhibitors. Proteases are a group of enzymes that play a decisive role in the development of a great many diseases, such as infectious diseases, autoimmune diseases, and cancers. In the management of HIV and hepatitis C, protease inhibitors are often used in combination with nucleoside analogues. Medivir has specifically focused its development on viral proteases, with simeprevir as the most tangible example of our success to date.

Medivir's current research and development programme is now, based on this platform, focusing on oncology and infectious diseases in three main areas: oncology, Hepatitis C, and respiratory syncytialvirus. Another clinical development project is also being conducted within the area of osteoarthritis (see also pages 12–17).

In-house developed projects

Medivir has the resources and expertise to progress projects from discovery to clinical phase II studies, after which we normally endeavour to out-licence the projects to global pharmaceutical companies (partners) who have the resources and infrastructure to run multinational phase III programmes that will support parallel international registrations and the subsequent global commercialisation. The development portfolio comprises:

- **MIV-711**, a cathepsin K inhibitor for the treatment of osteoarthritis.
- **MIV-802**, a nucleotide-based polymerase inhibitor for the treatment of HCV.

The company is continuously evaluating new projects that could strengthen the research and development portfolio, primarily in the area of oncology. The principal criteria for new projects are that they are commercially interesting, which is determined on the basis of their scientific rationale, the medical need, and the competitive advantages, and that the development program is scientifically feasible.

In 2015, Medivir announced its first oncology project based on its own platform and focusing on the treatment of hepatocellular carcinoma, which is the most common form of liver cancer.

Resources will increasingly be aimed at oncology research, where our cutting-edge competence in protease inhibitors and in nucleotide and nucleoside science offers excellent potential for the development of innovative pharmaceuticals. Medivir has identified two particular areas as having substantial potential:

- Protease inhibitor design, where there is a clear link to one or more types of cancer and a well-defined possibility for improving treatment outcomes;
- The know-how that we have built up on selectively targeting pharmaceuticals to the liver as part of our nucleotide-based hepatitis C inhibitor project can be utilised to steer cancer drugs to the liver, for example in the treatment of liver cancer.

Partnership projects

Medivir is currently working on the development of a project in collaboration with Janssen Pharmaceuticals:

- Simeprevir is an HCV NS3/4A protease inhibitor that has been approved for the treatment of chronic hepatitis C infection as part of an antiviral combination treatment regimen.

Terminated projects

In 2015, Medivir decided to abandon its research in the area of neuropathic pain as a result of unfavourable findings in the preclinical safety studies performed with MIV-247. The ADAM8 inhibitor project for the treatment of pancreatic cancer was also wound up in response to data that emerged during the year.

AL-704, a partnership project with Janssen Pharmaceuticals, was wound up in December after completion of a phase I trial. The trial showed that AL-704 was

safe, well-tolerated and had acceptable pharmacokinetic properties, but that the clinical antiviral effect on patients infected with hepatitis C genotype 1 was insufficient to support further clinical studies.

Organisation

Medivir reorganised its research unit in 2015 in order to improve the efficiency and quality of its research projects. The reorganisation entailed, amongst other things, the concentration of all external synthetic chemistry activities in a research unit at GVK BIO in India, where the addition of some 20 research personnel generates the potential for an increase in the tempo of the synthesis work. These changes meant that around 10 employees at Medivir's research units in Sweden and the UK were made redundant.

The partnership with GVK BIO is designed both to improve the efficiency and the quality of the research projects that make up Medivir's project portfolio, and to cut research costs and boost flexibility over time. The partnership is expected to enhance our ability to deliver a continuous flow of candidate drugs to Medivir's pipeline.

In a further effort to optimise the company's operations, the autumn saw Medivir's research and development operations grouped under the banner of a single, joint unit that spans the entire process from early discovery to clinical phase II development. We also, at the same time, created a new function – Strategic Regulatory Affairs – that brings all of our regulatory skills and areas of responsibility together under a single umbrella.

Patents

Securing patent protection is a core component of all pharmaceutical development work, whether the project derives from Medivir's laboratories or whether it is in-licensed. Medivir has a comprehensive and systematic process for establishing and continuously monitoring its patent protection. The portfolio at year-end comprised 47 patent families, with over 200 national patents awarded. Medivir registered new patent families during the year as part of the RSV, oncology and MIV-802 projects.

		Preclinical phase		Clinical phase	
Disease area	**Project/Product**	**Research**	**Development**	**Phase I**	**Phase II**
Osteoarthritis	MIV-711, Cathepsin K inhibitor				
Hepatitis C	MIV-802, HCV nucleotide-based NS5B polymerase inhibitor				
RSV infection	RSV fusion protein inhibitor				
Hepatocellular cancer – HCC	Nucleotide-based DNA polymerase inhibitor				
Hepatitis C 3DDA	FDC AL-335+odalasvir+simeprevir*				
HIV infection	HIV protease inhibitor*				

* Partner Janssen

Oncology

In 2014, Medivir took a strategic initiative to expand our therapeutic focus into oncology, where we are applying our expertise in protease inhibitors and nucleoside and nucleotide science to develop drugs to treat cancer.

What is cancer?
A tumour is a complex tissue composed of multiple cell types where cancer cells interact with many different types of normal host cells. These other cells and the extracellular matrix around them form a complex tumour microenvironment which is subverted to allow and promote tumour growth.

Cancer is a genetic disease. The acquisition of multiple mutations leads to the development and growth of cancer. Multiple subclones of cancer cells can exist within a single tumour and can respond differently to therapy. Evolutionary selection of cancer cells occurs within a tumour, particularly under therapy, that could lead to development of resistance and relapse. As tumours grow, they develop more aggressive characteristics, and invade into surrounding local tissue, and frequently seed colonies in distant sites or metastases.

What are the different types of cancer?
Cancer is not a single disease – there are many different types of cancer, with very different characteristics and prognoses. They have been traditionally described by factors such as: location of disease (eg lung, colon, prostate, liver); tissue of origin (carcinoma, sarcoma, lymphoma), cell type (eg. hepatocellular carcinoma, mantle cell lymphoma, Small Cell Lung Cancer); Stage (eg Child-Pugh for HCC or Gleason score in prostate).

Any one disease can be sub-divided many ways. Even within one sub-type, every tumour has similarities and differences. Some cancer types respond well to current therapies, but many do not. The molecular classification of cancer is emerging as better way to stratify patients for therapy eg HER2 positive breast cancers respond well to trastuzumab (Herceptin™), EML4-ALK positive Non Small Cell Lung Cancers respond well to crizotinib (Xalkori™).

Which types are Medivir most interested in and why?
Medivir has chosen to focus on cancers of high unmet medical need, where existing therapies are not very successful and there is a great opportunity to provide real benefit to patients who have few treatment options. The choice of the tumour type of focus will vary greatly depending on the individual project and the activity and role of drug targets in different cancer types, and sub-populations of cancer patients within one type that expects to respond well to treatments. Some cancer types of particular interest to Medivir include hepatocellular carcinoma (HCC), glioblastoma multiforme (GBM) and pancreatic cancer, which are all highly aggressive diseases with poor treatment options and very low overall survival rates on the best current treatments today. HCC is a liver cancer derived from hepatocyte cells. HCC is one of the most common cancers worldwide and late stage HCC has a mean overall survival of only 9–11 months on the best available treatment today. We are applying our expertise in liver disease from work on hepatitis C to this area and have one exciting active project (see HCC Project page 16).

What approaches are Medivir taking to treat cancer?

Approaches to oncology therapy can be classified in different ways.

Removing the cancer (surgery)

When cancer can be detected relatively early, then for many cancer types, surgical removal of the tumour remains the most effective therapy. However, in most cases, the tumour can never be completely removed and other approaches are almost always taken to treat the cancer.

Killing cancer cells

Chemotherapy and radiotherapy remain mainstays of cancer therapy today, focused on direct inhibition of proliferation by damaging DNA (nucleosides 5FU, doxorubicin, radiotherapy) or cell division (eg taxanes, paclitaxel).

Medivir approach: *Selective delivery of nucleotide-based pharmaceuticals to tumours in the specific organ, e.g. the liver. (see HCC Project, page 16)*

Inhibition of key cancer growth and survival pathways

There has been an explosion of interest in the modern era of cancer therapy in identifying cellular pathways that are important for cancer and considerable success in designing inhibitors of these pathways. The use of imatinib (Gleevec™) to target BCR-ABL in chronic myelogenous leukemia and the use of erlotinib (Tarceva™) to target EGFR in non-small cell lung cancer demonstrate that the inhibition of specific cellular pathways can lead to therapeutic benefit.

Medivir approach: *It is now recognized that the ubiquitination system can regulate many important cancer pathways and that using deubiquitinase (DUB) inhibitors could provide a novel approach to targeting them. Medivir is applying our strength in protease inhibitor design to investigate multiple DUB targets.*

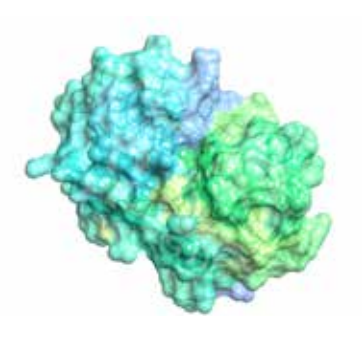
Targeting host cells

Cancers are dependent on the host organism to survive and evolve to use host cells to their advantage. Two of the important host systems are listed below, which can open up opportunities for cancer therapy.

- Angiogenesis – the generation of new blood vessels to provide nutrients and oxygen to feed the tumour is an essential requirement for cancer growth. An example of an angiogenesis inhibitor is sorafenib (Nexavar™) which is approved for the treatment of HCC and renal cell carcinoma.
- Evading the immune response – cancers suppress the host immune system by a variety of methods to hide themselves from attack. We are witnessing the blossoming of immuno-oncology where a number of biological agents that stimulate the immune response have led to spectacular responses in clinical studies. Notably, no small molecule approaches have yet been successful in activating the immune system, but could be great successes in the future.

Medivir approach: *Identify and evaluate protease inhibitors which may have a role in regulating the immune response to assess their potential as immuno-oncology agents.*

MIV-711 – a cathepsin K inhibitor



Osteoarthritis (OA) is the most common form of joint disease, with up to 40% of the population over the age of 65 suffering from the disease. MIV-711 was first synthesized by Medivir scientists, and has the potential to be a future disease-modifying treatment for OA.

Therapy /Disease area

Osteoarthritis is the most common form of joint disease and is characterised by pain and varying degrees of inflammation in one or more joints. The joints most commonly affected are the knees, hips and hands. Typically, the patient experiences pain in conjunction with movement or when the joint is supporting weight. Some patients also experience swelling and pain, even when the joint isn't being used. Imaging of the affected joints shows signs of cartilage loss and abnormal bone structures in the vicinity of the joint.

Market/Competition

The incidence of osteoarthritis is increasing, as the population ages and obesity becomes more common. The total affected population is estimated to reach 95 million by 2020 in the seven major markets. The only treatments currently available are symptomatic i.e. pain relief combined with physiotherapy and weight loss. In more severe cases, surgical intervention, including replacement of the entire joint with a prosthetic, is necessary. There is, therefore, a substantial need for treatments that can stop the progress of both cartilage breakdown and bone deformation in affected joints.

Project/Mechanism

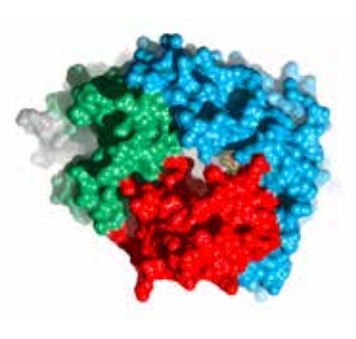
A major goal of OA research is to identify drugs capable of impacting the progression of the disease, referred to as Disease Modifying Osteoarthritis Drugs (DMOADs). Recent scientific work suggests that two separate processes, bone resorption and cartilage degradation, are involved in the development and progression of OA. Future treatments for OA should, therefore, target both processes in order to prevent the progression of the disease. Cathepsin K is a protease that breaks down collagen, a protein that plays an important role in the structural integrity of both bone and cartilage. Medivir's research has shown that inhibition of cathepsin K can reduce the rate of joint destruction in preclinical models of osteoarthritis. MIV-711 therefore has the potential to be a DMOAD.

MIV-711 is a highly selective cathepsin K inhibitor that was invented by Medivir scientists. A successful clinical phase I trial in healthy volunteers has been conducted. The trial evaluated the safety, tolerability, pharmacokinetics and pharmacodynamics (effect on biomarkers of bone and cartilage turnover) of different doses of MIV-711 or placebo, administered once daily for between one and 28 days. The results showed that treatment with MIV-711 is safe and well tolerated at doses that reduce biomarkers of bone resorption and cartilage degradation. When dosed at 100 mg once daily, MIV-711 reduced the biomarkers for bone resorption and cartilage degradation by up to 98 per cent and 55 per cent, respectively, compared with placebo. The positive results from the phase I study support the further development of MIV-711 as a DMOAD. The current goal for the project is to complete a phase IIa study in 240 osteoarthritis patients.

Facts and figures

- Cleavage of type I collagen by cathepsin K results in release of the C-terminal telopeptide of collagen type I (CTX-I), a biomarker that has been used extensively as a surrogate measure of bone resorption. Likewise, cathepsin K-dependent cartilage degradation can be assessed by measuring the C-terminal telopeptide of collagen type II (CTX-II), which is a fragment confirmed to be released during cartilage degeneration in OA. In OA patients, increased CTX-II levels are associated with loss of cartilage integrity and are linked to disease burden, progression and radiographic scoring.
- As mentioned above, MIV-711 has been shown to lower these two biomarkers both in preclinical models of OA in which simultaneous disease modification at the structural level was also confirmed, as well as in healthy volunteers. Furthermore, the observed disease modification in animals is present at equivalent doses to those studied in healthy volunteers with the observed relevant biomarker responses.
- The translational bridge between the structural effects in preclinical models and the positive effect of MIV-711 treatment on these target related biomarkers in phase I support the hypothesis that structurally relevant readouts for OA may be expected in patients at doses of MIV-711 similar to those in the phase I study.

MIV-802 – a nucleitode based NS5B polymerase inhibitor



Between three and four million people are infected every year with the hepatitis C virus, which attacks the liver. MIV-802 is a compound invented by Medivir scientists that has been designed to deliver the drug selectively to the liver, which is where the hepatitis C virus replication occurs.

Therapy /Disease area

The hepatitis C virus (HCV) is a blood-borne virus. There are six major genotypes of the hepatitis C virus: genotypes 1-6. When it enters the body, HCV is carried in the blood to the liver, which it then infects. In most cases the body is unable to clear the infection, and in such cases the body's immune response to the chronic viral infection results in damage to the liver. Chronically infected patients often don't experience any symptoms until their liver has been extensively damaged, which may result in cirrhosis and ultimately liver cancer. Until recently, the treatment of chronic HCV infection was successful in only about 50-60% of patients, but in the last few years, it has been shown that treatment with combinations of direct acting antiviral agents can lead to successful cures in more than 95% of patients.

Market/Competition

Hepatitis C is known as the silent epidemic, because many people do not know they are infected. According to the World Health Organization (WHO), about 130–150 million people worldwide are infected with hepatitis C. Of these, approximately 130,000 people in the Nordic region are infected with HCV, most frequently with HCV genotypes 1 or 3. Chronic infection results in an increased risk of cirrhosis and liver cancer.

The last few years have seen a dramatic and rapid development in the treatments used for chronic hepatitis C – from partially effective and poorly tolerated interferon-based treatments to treatments that use all-oral antiviral pharmaceuticals that are well tolerated and cure a majority of patients after a short period of treatment.

Project/Mechanism

Nucleotide-based inhibitors of the viral polymerase play a key role in many of the most effective combination treatments for hepatitis C, since the effective members of this class combine a number of favourable properties:

- They have a very potent antiviral activity
- They are effective against all genotypes
- They can easily be combined with other classes of antiviral pharmaceuticals
- They have high barriers to the emergence of antiviral resistance

MIV-802 is a nucleotide-based inhibitor of HCV that was invented by Medivir scientists. It has been designed to deliver large amounts of the drug selectively to the liver, where the hepatitis C virus replicates. Preclinical data indicate that it can be used effectively in combination with all other classes of antiviral agents used to treat HCV, and that it has similar antiviral activity against all HCV genotypes. During 2015, the main focus for the project has been to conduct the preclinical safety studies required for the start of the clinical phase I studies. The ambition is to identify a partner for the further development of MIV-802 as a key component of future direct-acting antiviral (DAA) combination therapies for the treatment of HCV infection.

Facts and figures

- HCV NS5B polymerase nucleotide inhibitors have pan-genotype activity and high barriers to resistance and are, therefore, considered to be central to future combination therapies for HCV. MIV-802 is the protide of a novel uridine analogue. It is a highly potent and selective nucleotide-based NS5B polymerase inhibitor which, in antiviral test systems, blocks the replication of all hepatitis C virus genotypes.
- MIV-802 shows excellent safety margins *in vitro* and delivers pharmacologically relevant amounts of the uridine nucleoside triphosphate to human hepatocytes.
- MIV-802 has been evaluated in combination with all the other different classes of direct-acting antiviral agents (DAAs) and all combinations involving MIV-802 displayed synergistic effects against the HCV replication with no indications of any antagonism. This profile supports the progression of MIV-802 into further development for a future treatment of HCV infection in combination with other DAAs.

Hepatocellular Carcinoma – HCC

Liver cancer is the second highest cause of cancer-related death worldwide. Medivir is developing drugs to deliver cancer therapeutics to the liver to treat this devastating disease.

Therapy /Disease area

Liver cancer is the second leading cause of cancer-related death worldwide, and one of the fastest growing cancers in the US, based on incidence and mortality. Hepatocellular carcinoma (HCC) is the most common cancer of the liver. Risk factors for HCC include chronic infection with the hepatitis B or hepatitis C viruses, metabolic diseases such as non-alcoholic steatohepatitis (NASH) and diabetes, as well as use and abuse of alcohol and tobacco.

Market/Competition

Chemotherapy treatments have failed in many clinical trials for HCC, typically because severe adverse effects of the drug elsewhere in the body occurred before adequate levels in the liver were reached. One successful approach that circumvents this problem is known as Trans-Arterial Chemo-Embolization (TACE), a surgical procedure that targets chemotherapeutic agents to the liver, while preventing drug exposure elsewhere. This allows the chemotherapeutic drug to be delivered at effective concentrations in the liver while reducing systemic toxicity. This procedure has a proven benefit in patients with intermediate stage HCC, but is technically challenging, risky and has some restrictions that prevent its use in a large proportion of patients.

The only approved therapy for advanced HCC is the multi-targeted kinase inhibitor sorafenib (Nexavar™), and patients receiving this treatment have a mean overall survival (OS) of approximately 9–11 months, compared to placebo control with 7–8 months OS. Following disease relapse, there is no recommended treatment available today. Taken together with the pessimistic overall prognosis for patients diagnosed with HCC, there is a tremendous unmet medical need in the treatment of this devastating disease.

Project/Mechanism

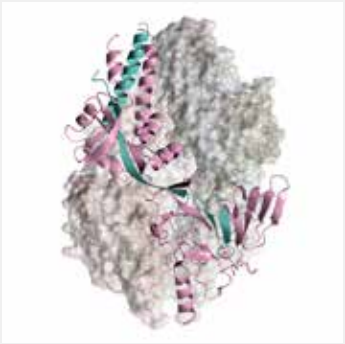
Current approaches to managing intermediate stage HCC, such as TACE, rely to a large extent on the targeting of drugs to the liver. Medivir has developed substantial capabilities to selectively deliver the active metabolites of nucleoside and nucleotide analogues to the liver, based on its long-standing interests in discovering improved treatments for chronic hepatitis B virus and hepatitis C virus infection. This knowledge is now being applied to HCC, where Medivir's novel approach is to develop orally administered therapeutics that are targeted to the tumour in the liver. This is also designed to reduce the systemic toxicity caused by exposure to the rest of the body. The objective is to combine the benefits of the liver-targeting of TACE with the convenience of an orally administered pharmaceutical that does not require admission to hospital.

Medivir compounds have been developed that show great potency at killing liver cancer cells. They have similar *in vitro* properties to MIV-802, which has demonstrated the liver targeting concept and has been shown to result in exposures of the active drug in the liver that are 100x greater than in other organs.

Facts and figures

- From a genetic perspective, HCC is a very diverse disease, with few of the known oncogenic driver mutations that have been characterised in other tumour types. This has contributed to the lack of success of molecularly targeted agents in HCC, to date. Medivir´s approach to delivering a cytotoxic agent to the liver cancer cells should overcome this obstacle to molecularly targeted agents.
- Liver metastases from other tumour sites (principally from colorectal cancer, but also from breast, ovarian and pancreatic cancer) are a major cause of death. Medivir´s approach has the potential to treat these liver metastases and could greatly increase the number of patients who might benefit.
- Intrahepatic cholangiocarcinoma, cancer of the bile duct, accounts for about 15% of liver cancers. It has an equally dismal prognosis and no effective chemotherapy treatment. Patients with this disease might also be expected to benefit from Medivir´s approach.

Respiratory Syncytial Virus infection – RSV



Respiratory syncytial virus is a respiratory pathogen that can cause life-threatening infections, especially in children. Treatment of RSV infection represents a large unmet medical need.

Therapy/Disease area

RSV infects the lungs and breathing passages and can cause bronchiolitis and pneumonia. In healthy adults, RSV infection is usually restricted to the upper respiratory tract and subsequent disease is often limited to mild cold-like symptoms lasting up to two weeks. However, elderly patients with heart or lung conditions, and patients who are immunocompromised e.g. those who have undergone transplantations, are at increased risk for severe RSV-associated disease. Further, RSV infection accounts for substantial morbidity and mortality among infants and is a common reason for them being hospitalised, with an even greater outpatient burden of disease. The risk of death from respiratory causes in infants below 1 year of age is increased 9-fold for infants who have RSV infection as opposed to those that have influenza, and for reasons not yet fully understood, severe RSV infection in early childhood is also associated with recurrent wheezing later in life.

Market/Competition

It is estimated that RSV accounts for 64 million total infections per year (WHO data). For children below the age of 5; 33.8 million lower respiratory tract infections, with 3.4 million requiring hospitalisation and between 66,000 and 199,000 child deaths, were reported for 2005. Inhaled ribavirin is an approved treatment for RSV infection, but is of questionable benefit and is extremely difficult to administer. Palivizumab is, an RSV-specific monoclonal antibody that is approved for the prevention of RSV infection, but it is only partially effective and is indicated only for the 3% of infants that are born prematurely or have underlying severe chronic illnesses. Given that the standard of care for the vast majority of RSV-infected patients is limited to supportive therapy only, a large unmet medical need exists for therapies that both prevent and treat RSV infections in both elderly and pediatric patients. Clinical evaluations of experimental drugs for RSV have reached phase II, but only a minority have generated efficacy data, and only in experimentally-infected healthy human adults with upper respiratory tract infections.

Project/Mechanism

The aim of Medivir's RSV project is to identify and develop an orally-administered small molecule inhibitor of the RSV Fusion (F) protein. The RSV F protein is an essential virus-encoded component required for the virus to enter cells of the respiratory tract, and is a clinically-validated RSV target. Inhibiting the activity of the F protein will result in reduction of the severity and incidence of RSV-associated disease caused by RSV infections of the human upper and lower respiratory tract. The RSV project is in the preclinical optimisation phase and resulted from a 2014 licensing agreement with Boehringer Ingelheim International GmbH for exclusive, global rights to a drug programme for the treatment and prevention of RSV.

Facts and figures

- The F protein is conserved between RSV A and B subtypes, but no cellular counterpart of RSV F protein exists, and it shares no homology with human cellular proteins.
- Functional RSV F protein exists as homotrimeric glycoprotein complexes inserted into the virus envelope; a lipid membrane surrounding the interior nucleocapsid core of the virus.
- Attachment of the virus to receptors located at plasma membrane surfaces of respiratory epithelia triggers F protein to undergo extensive conformational shift, which exposes a hydrophobic fusion peptide that inserts into the membrane of the opposing host cell to initiate membrane fusion and consequent virus entry into host cells.
- RSV F inhibitors are 'triggering antagonists'; they bind to the F protein and prevent the conformational change required for the protein to initiate virus infection.

Royalties and milestone payments

Outlicensed projects generate income in the form of royalties and milestone payments.

Medivir has successfully developed products from the concept stage to the finished pharmaceutical. Xerclear (Zoviduo®) was approved in 2009 for the treatment of labial herpes. Meda owns the marketing rights to Xerclear in the USA, Canada and Mexico, while the corresponding rights in Europe and the rest of the world have been out-licensed to GlaxoSmithKline, with the exception of Israel and China, where Medivir has appointed local distributors and South America where Medivir has retained the rights. Simeprevir (OLYSIO®) was approved in the USA in 2013 and granted marketing authorisation in the EU in May 2014. Additional marketing authorisations were subsequently granted in many other countries around the world. Simeprevir is approved as part of an antiviral combination treatment regimen for chronic genotype 1 and 4 hepatitis C infection in adult patients with compensated liver disease, including cirrhosis (the indications vary between different markets). Janssen is responsible for the global clinical development of simeprevir and owns the exclusive global marketing rights to the drug with the exception of the Nordic region, where Medivir has retained the marketing rights.

Royalties

Medivir receives quarterly royalties on the pharmaceuticals that have reached the market.

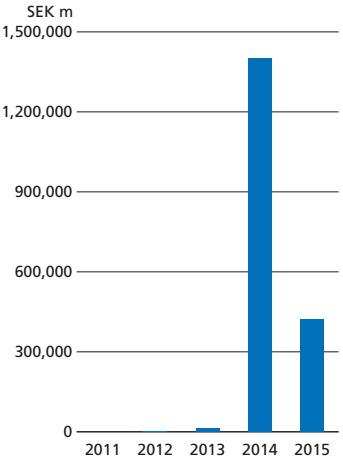
Janssen's global net sales of OLYSIO® (simeprevir) totalled USD 621 million (USD 2,301 m) in 2015, USD 173 million (USD 1,943 m) of which derived from sales in the USA. This generated a royalty payment totalling SEK 419 million (SEK 1,399 m). Medivir's royalty payments are linked to different annual net sales levels. The third of four royalty levels was achieved in 2015. Global sales of OLYSIO® as a monotherapy achieved their highest net sales figure during the second quarter of 2014 but the market share has declined substantially since the end of the previous year in competition with combination treatments such as the Viekira Pak and Harvoni products produced by the American firms, AbbVie and Gilead Sciences, respectively, which now dominate the market.

GlaxoSmithKline's global net sales of Xerclear (Zoviduo®) totalled USD 4.1 million (USD 5.4 m). This product generated a royalty payment in 2015 of SEK 1.8 million (SEK 1.2 m).

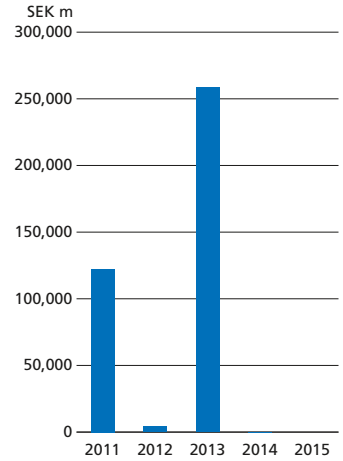
Milestone payments

Medivir receives milestone payments in respect of its projects conducted in partnership with other companies when these projects reach predetermined, contractually agreed milestones. Medivir is currently conducting a partnered HIV infection project where this may become relevant.

Royalties



Milestone payments



Sales

Medivir sells 15 prescription pharmaceuticals in a variety of therapeutic areas in the Nordic market. The pharmaceuticals are spread across two product portfolios – Nordic Brands and Innovative Specialty Care.

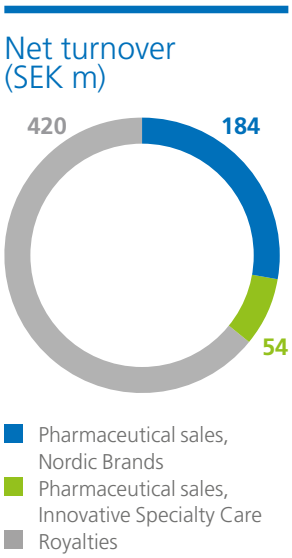
Nordic Brands
Nordic Brands enjoys stable sales and good profitability, and comprises 13 well-known pharmaceuticals with a long tradition of being prescribed in the Nordic region. The cough medicine, Mollipect, and the analgesic, Citodon, are the best known brands in this portfolio, which also includes Digoxin BioPhausia, Egazil, Laxabon, Lithionit, Morfin Special, Nitroglycerin BioPhausia, Paraflex, Probecid, Solvezink, Suscard and Theo-Dur.

Innovative Specialty Care
Our Innovative Specialty Care portfolio comprises both pharmaceuticals that we have developed in-house and which we sell on the Nordic market, and pharmaceuticals that we have in-licensed and which we sell and market in the Nordic region. The Innovative Specialty Care portfolio currently comprises two pharmaceuticals, namely OLYSIO® and Adasuve®.

OLYSIO® is used in the treatment of chronic hepatitis C infection as part of an antiviral combination treatment. Adasuve® is the first inhalable treatment for agitation in patients with schizophrenia or bipolar disorder. Our ambition is to expand this portfolio by in-licensing and through our own research and development.

An efficient organisation
Medivir's pharmaceutical sales are conducted in a cost-effective way by a small organisation made up of experienced employees with wide-ranging competence. We have largely centralised the work, such as regulatory activities, pharmacovigilance, quality and logistics, to the head office in Stockholm in order to maximise the synergy effects between different pharmaceuticals and countries. The regulatory department documents changes in relation to our pharmaceuticals and communicates them to the authorities in the countries in question. The pharmacovigilance department monitors all news of relevance to Medivir's pharmaceuticals and their active compounds, worldwide. They report any deviations, such as adverse events, to the authorities, in accordance with a regulated control system. The department also responds to medical queries about our pharmaceuticals from patients, authorities, and medical personnel. Quality aspects are a top priority within the company and we work continuously with quality assurance at every stage in the chain. Our logistics department plans and structures production, stock keeping and transportation of our pharmaceuticals.

The management of our Nordic commercial organisation is also, in addition to the above-mentioned areas of work, centralised to the head office in Stockholm. This department generates Nordic product strategies and manages and supports our country-specific commercial teams in their efforts to ensure that our pharmaceuticals are used correctly. The department includes expertise in marketing, sales, medical affairs and market access. Marketing and sales ensure that information about our pharmaceuticals reaches potential prescribers, while medical affairs provides scientific support and is very involved in our dialogues with healthcare professionals. Market access handles issues relating to pricing and external financing of our pharmaceuticals. Our country-specific commercial organisations work with Innovative Specialty Care and ensure that we carry out the activities required in the specific countries in order to ensure that the pharmaceuticals in this product portfolio are prescribed to the patients who can benefit from them.



Employees

Medivir is a knowledge-intensive company that demands a high level of expertise and education from its employees. The company is keen to attract, recruit and develop competent employees who are strongly committed to the business and who make an ongoing contribution to the company's development.

Medivir's ambition is to have the industry's most satisfied employees, and the company works actively to attract, recruit and retain skilled personnel. Medivir's personnel work is based on, amongst other things, the conviction that developmental potential is an important driving force for our employees and that Medivir's success is based on the ability to establish a wide-ranging collaboration between different parts of the company.

Employee development – the key to an innovative, high-performing corporate culture

Managers and personnel jointly set individual goals for the year, based on the overall objectives of the company, and evaluate and appraise previous efforts. To achieve the expected levels of commitment it is important that every employee understands both the company's missions and objectives and the ways in which their individual performances contribute to realising them. The importance of personal and professional development was further emphasised in 2015 through the separation out of performance reviews from salary reviews and management by objectives discussions.

The career ladders – a clear process for promotion

Medivir is keen to offer all of its employees good opportunities for both skill development and a career path within the company. We are a small company, so it is necessary for people to work across a wide range of areas and learn a great deal in a short space of time. Taking on responsibility at an early stage is an important factor in career development. The company endeavours to meet its employees' development requirements in the form of new roles with greater responsibilities and authority. A clear process for promotions within the R&D organisation was implemented in 2015.

Scientific leadership

Small teams, each with a team leader, have been created within the research operations with a view to augmenting and refining the scientific leadership structure. The team leader training that began in 2014 was continued in 2015 and includes coaching and self-awareness, cultural differences, and diversity. The employee survey clearly showed that the change had had the desired effect: employees felt that their immediate superior had time to listen which, in the long term, yields stronger partnerships and a good internal dialogue.

The company continued to strengthen its oncology expertise in 2015 and consequently recruited additional research personnel with expertise in this area.

Diversity and equal opportunity

Medivir regards it as self-evident that everyone should be offered the same opportunities and treated in the same way, irrespective of their age, gender, religion, sexual orientation, disability or ethnic origin. Medivir has approximately 130 employees who work in five different countries and represent around 15 different nationalities.

Medivir is a workplace that promotes diversity. The company offers a full-service solution that facilitates relocation to Sweden and helps ensure a good start for the new employee and their entire family, in order to strengthen our ability to recruit employees from every corner of the world. The fact that the corporate language is English also makes it easier to integrate new, non-Swedish-speaking employees rapidly. At the same time, however, knowledge of Swedish is vital to the employees' social lives outside work and the company accordingly offers Swedish language training for all employees who do not have Swedish as their native language.

Medivir's gender balance is good throughout the company. Medivir had a total of 127 (141) employees at the period end, 55 (57) per cent of whom are female. At the end of the year, Medivir's management team, including the President & CEO, comprised six people, two of whom were women and four, men. At the end of the year, the Board of Directors comprised seven people elected by the Annual General Meeting, including the

Chairman of the Board, three of whom were women and four, men. The Board also includes two female Board Members appointed by the local trade unions.

Salaries, benefits and labour market regulations

Favourable conditions of employment are a prerequisite of Medivir's ability to recruit and retain skilled employees. Medivir endeavours to offer competitive salaries and benefits. The company conforms to the principle that salary levels should be set individually and should be differentiated, and that salaries should be set on the basis of collective agreements and locally agreed salary criteria.

Corporate culture

A good corporate culture paves the way for job satisfaction, low sick leave levels, good relationships and low levels of staff turnover. Medivir is, and intends to remain, a company in which it is possible to maintain a good work-life balance. Employee surveys are carried out on a rolling basis to ensure a positive working climate. Management and individual managers place great emphasis on the information provided by the employee surveys and work to implement changes in accordance with the results. Medivir endeavours to create a work environment that promotes health and well-being.

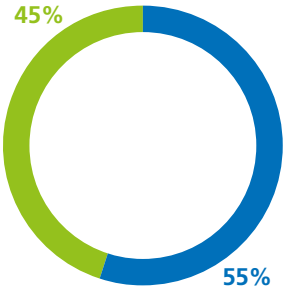
The 2015 employee survey showed that perceived stress is the most common workplace risk in the operations. The sick leave figures are, admittedly, low, but the psychosocial work environment is an important factor in preventing the perception of negative stress amongst our employees.

Knowledge of work environment issues has been improved in 2015 by means of training courses provided for selected employees. Additional measures in this area will be implemented in 2016.

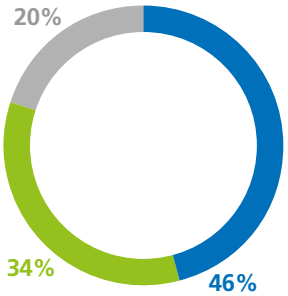
Organisational changes

In 2015, Medivir launched a partnership with GVK BIO in India and with that partnership came new ways of working for the scientists in our Research laboratories. This has created new roles and a change in the research process, but also resulted in certain employees of the Swedish and UK operations becoming redundant. The change was primarily made for efficiency-related reasons, and in order to generate the preconditions for a more flexible cost base. A reorganisation of the company's management group in the spring of 2015 resulted in, amongst other things, the recruitment of two new people to strengthen important functions and generate increased operational focus. The autumn of that year also saw Medivir's R&D work unified under the banner of a single unit, Research & Development, and the establishment of a new function – Strategic Regulatory Affairs – in order to unify all of Medivir's regulatory competence and responsibility.

Gender breakdown



Education breakdown



Sick leave

Average sick leave rate, 2015: 1,01%
Average sick leave rate, 2014: 1,85%

The Medivir share

Medivir's class B share has been listed on the Nasdaq Stockholm since 1996, with all trade taking place on the Mid Cap list. The class A share, which carries enhanced voting rights, is not listed.

Share structure, earnings per share, and equity

There were a total of 26,966,037 (31,260,027) shares in Medivir AB at the year-end, 606,358 (660,000) of which were class A shares and 26,359,679 (30,600,027) class B shares with a nominal value of SEK 6. The average number of shares during the year was 29,048,032 (31,260,027). All shares are equally entitled to participation in Medivir's assets and profits. Class A shares carry 10 voting rights while class B shares carry 1 voting right. The share capital at the year-end was SEK 157.2 million (SEK 156.3 m) and the equity totalled SEK 1,450.1 million (SEK 1,982.6 m).

Shareholders

There were a total of 9,497 (11,743) shareholders at the year-end, 1,581 (9,933) of whom held 1,000 or more shares. The fifteen biggest shareholders accounted for 41.3 per cent (38.1%) of the total number of shares and 51.2 per cent (48.0%) of the total number of votes. Foreign owners accounted for 43.1 per cent (27.8%) of the total equity.

Share price performance and turnover, 2015

Medivir's share price fell by 33.3 per cent from SEK 98.25 to SEK 65.50 in 2015. The Nasdaq Stockholm's Mid Cap index (OMX-SMCPI) rose by 6.6 per cent during the same period. Medivir's market capitalisation at the end of 2015 was SEK 1.73 billion, based on the closing price paid at the year-end of SEK 65.50. A total of 32,943,285 Medivir shares were traded on the Nasdaq Stockholm in 2015, corresponding to a turnover rate of 122 per cent. The Medivir share is primarily traded on the Nasdaq Stockholm.

MEDIVIR'S 15 LARGEST SHAREHOLDERS 31 DECEMBER 2015[1)]

Name	Class A shares	Class B shares	% of votes	% of capital
Bo Öberg	284,000	250,000	9.5	2.0
Nils Gunnar Johansson	243,500	57,065	7.7	1.1
Nordea Investment Funds	0	1,664,795	5.1	6.2
Healthinvest Value Fund	0	1,456,748	4.5	5.4
Goldman Sachs & Co	0	1,135,807	3.5	4.2
UNIONEN	0	1,032,172	3.2	3.8
Staffan Rasjö	0	1,023,330	3.2	3.8
Credit Suisse AG	0	891,351	2.8	3.3
Christer Sahlberg	78,858	20,898	2.5	0.4
Svea Ekonomi AB	0	696,186	2.2	2.6
Avanza Pension	0	656,270	2.0	2.4
JPM Chase NA	0	522,680	1.6	1.9
BNY GCM RE	0	384,441	1.2	1.4
Wells Fargo Securities LLC	0	381,842	1.2	1.4
Danica Pension	0	363,773	1.1	1.4
Total, 15 largest shareholders	**606,358**	**10,537,358**	**51.2**	**41.3**
Total, other shareholders		15,822,321	48.8	58.7
TOTAL	**606,358**	**26,359,679**	**100.0**	**100.0**

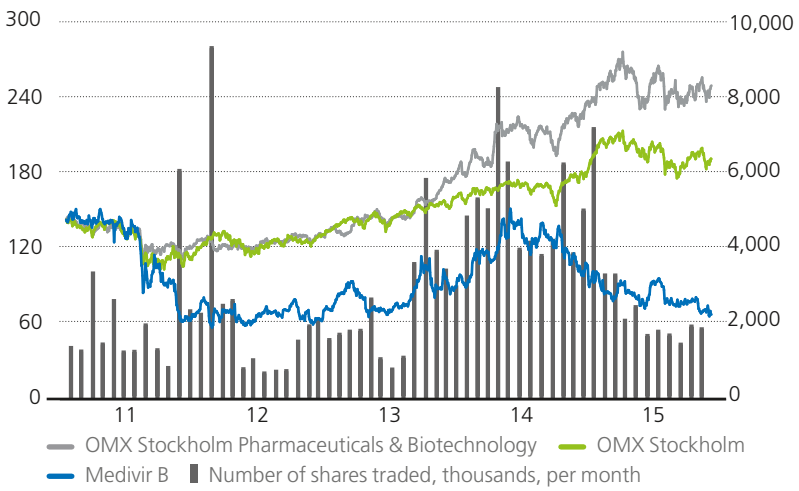
[1)] Source: Euroclear Sweden. Ownership data in the table may comprise composite data from multiple entries in Euroclear's statistics. These composite entries are designed to show an institution's or private person's total holdings in Medivir. This composite entry approach has not been taken in other tables for the Medivir share.

SHAREHOLDER BREAKDOWN BY SIZE OF HOLDING, 31 DECEMBER 2015

	No. of shareholders	No. class A shares	No. class B shares	% of capital	% of votes
1–100	4,264		159,449	0.59	0.49
101–1 000	3,865		1,493,199	5.54	4.61
1 001–5 000	965		2,078,357	7.71	6.41
5 001–20 000	259		2,528,344	9.38	7.80
20 001–100 000	101	78,858	4,653,613	17.55	16.78
100 001–	43	527,500	15,446,717	59.24	63.91
Total	**9,497**	**606,358**	**26,359,679**	**100.0**	**100.0**

Source: Euroclear Sweden

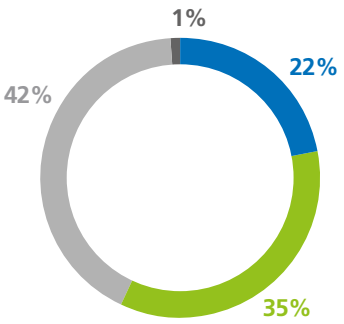
SHARE PRICE PERFORMANCE AND TURNOVER , 2011–2015



Source: SIX Trust

Shareholder categories

31 december 2015



Source: Euroclear Sweden

Share-related incentive plans

The intention of share-related incentive plans is to promote the company's long-term interests by motivating and rewarding the company's senior executives and other members of staff. Medivir currently has two active share-related incentive plans, LTI 2013 and LTI 2014. The costs of both programmes, including the cost of social security contributions, have, in accordance with certain assumptions such as share price performance, participation, and staff turnover, been charged to the profit/loss during the period in the sum of SEK 3,1 million (SEK 3.4 m). 48 per cent of all permanent employees elected to participate in LTI 2014, including the CEO, who has invested SEK 0.3 million (2,085 shares), and other senior executives, who have invested SEK 0.2 million (1,181 shares). 73 per cent of all permanent employees have opted to participate in LTI 2013, including senior executives, who have invested SEK 0.7 million (10,322 shares). The principal rule, in conjunction with the cessation of employment before the end of the vesting period, is that the share warrants shall expire for the participant. For a more detailed description, see Note 5 on pages 59–61.

Shareholder agreement and pre-emption

There is an agreement between the holders of Medivir's class A shares whereby the parties undertake to abide by the decisions on current issues mutually agreed before the Annual General Meeting. If, during their preparatory decisions, the parties are unable to agree on a particular issue, the decision shall accord with the opinion held by the majority of the class A share votes represented during the deliberations. The agreement also requires any holder of class A shares wishing to transfer his or her class A shares to another holder of class A shares or to a third party to have the shares reclassified as class B shares. The same applies if a party acquires class A shares in Medivir in any other way. If so decided by a majority of the holders of class A shares, the class A shares may be transferred to a new owner without reclassification, at which time the new owner shall become a signatory to the current shareholders' agreement for holders of class A shares. Pre-emptive rights, as specified in the company's Articles of Association, shall apply to class A shares.

Share issue authorisation

The Board of Directors was authorised, on one or more occasions before the next Annual General Meeting, to approve a new share issue of class B shares in a number which, collectively, does not exceed 10% of the total number of outstanding class B shares in the company.

The authorisation has not been used since the Annual General Meeting.

Buyback and transfer authorisation

The Board of Directors was authorised, for the period up to the next Annual General Meeting and on one or more occasions, to resolve to acquire a number of the company's own shares such that the company's holding does not at any time exceed 10% of all shares in the company.

At the end of 2015, 130,000 shares had been acquired at an average price of SEK 80,0.

For full information, please see medivir.com/the share

Analysts

Carnegie Investment Bank AB
Erik Hultgård

Enskilda Securities
Lars Hevreng

Jefferies International Ltd
Peter Welford

Pareto Öhman Fondkommission
Yilmaz Mahshid

Penser Fondkommission
Johan Löchen

Svenska Handelsbanken
Peter Sehested

SHARE CAPITAL PERFORMANCE

Year	Transaction	Nominal amount, SEK	Change in share capital, SEK	Total share amount, SEK	Total no. of class A shares	Total no. of class B shares	Total no. of shares
2010	New share issue	5	26,219,390	130,437,125	660,000	25,427,425	26,087,425
	Private placement	5	11,250,000	141,687,125	660,000	27,677,425	28,337,425
	Exercise of options 2005–2010	5	921,650	142,608,775	660,000	27,861,755	28,521,755
	Exercise of options 2007–2012	5	357,370	142,966,145	660,000	27,933,229	28,593,229
2011	Exercise of options 2007–2012	5	496,705	143,462,850	660,000	28,032,570	28,692,570
	Non-cash issue	5	12,806,285	156,269,135	660,000	30,593,827	31,253,827
2012	Exercise of options 2007–2012	5	31,000	156,300,135	660,000	30,600,027	31,260,027
2015	Redemption programme and bonus issue	6	858,635	157,158,770	606,358	26,359,679	26,966,037

Contents

Directors' Report

The Board of Directors and the President of Medivir AB (publ.), corporate ID no. 556238-4361, whose place of incorporation is Huddinge, Sweden, hereby submit the Annual Report for the operations of the Group and the Parent Company, Medivir AB, (publ.) for the 2015 financial year. All figures refer to the 2015 financial year of the Group, unless otherwise indicated. Comparisons, unless otherwise indicated, are made with the 2014 financial year.

The Medivir Group comprises eight companies with sales in Sweden, Norway, Denmark and Finland. The Swedish public limited company, Medivir AB, whose shares are quoted on the Nasdaq Stockholm Stock Exchange, is the Parent Company of the Group. For additional information, please visit www.medivir.se.

Operations

Medivir is a research-based pharmaceutical company that focuses on oncology and infectious diseases. The company has a leading expertise in the design of protease inhibitors and in the science of nucleotides and nucleosides and focuses on the development of innovative pharmaceuticals that meet substantial medical needs. The commercial organisation supplies the Nordic market with a portfolio of specialty care pharmaceuticals. The company was founded in 1988 as an offshoot of AstraZeneca's antiviral research unit.

Medivir was listed in 1996 on the Nasdaq Stockholm Stock Exchange's Mid Cap list.

Medivir is currently conducting research and development operations within oncology, infectious diseases, and osteoarthritis. The R&D portfolio comprises six pharmaceutical projects, two of which is being pursued in collaboration with a partner. Four of the projects focus on infectious diseases of which one is in the oncology area. Collaborations and partnerships are important components of our business model and Medivir has, over the years, entered into a number of successful partnerships with other pharmaceutical companies for the further development of potential pharmaceutical products. For a detailed description of Medivir's research areas and project portfolio, see pages 10–17.

Medivir markets pharmaceuticals in the Nordic market and we currently sell 15 prescription pharmaceuticals. The pharmaceuticals in our Innovative Specialty Care portfolio comprise both in-house developed pharmaceuticals for which we have retained the Nordic marketing rights, and pharmaceuticals that we have in-licensed and which we market in the Nordic region. For a description of Medivir's pharmaceuticals, see page 19.

Significant events in 2015

In-house research

- In April, Medivir and Cancer Research Technology launched a partnership to develop a new class of cancer drugs for treating a range of different cancers, including pancreatic cancer.
- The positive preclinical antiviral and safety profile of MIV-802 supports further development. Collectively, these data supported the continued development of MIV-802 for the treatment of hepatitis C in combination with other Direct Acting Antivirals (DAAs).
- Medivir decided to withdraw from the field of neuropathic pain due to unfavourable results from preclinical safety trials of MIV-247, a cathepsin S inhibitor under development for the treatment of neuropathic pain.
- Medivir announced the first cancer project derived from its in-house nucleotide platform, namely a nucleotide-based "pro-drug" that is delivered selectively to the liver for the treatment of hepatocellular cancer (HCC). The project is based on the company's expertise in the area of nucleotide/nucleoside science and is the first cancer project to emerge from its in-house discovery efforts in oncology.
- In December, Medivir terminated its in-house ADAM8 inhibitor project for pancreatic cancer. The closure of the project followed the semi-annual review of the company's R&D portfolio.

Partnership projects

- New data for simeprevir was presented at the Conference of the Asian Pacific Association for the Study of the Liver. Three clinical trials from a number of development programmes with simeprevir in different treatment combinations, durations, and populations, were presented during six oral and poster presentations.
- New data for simeprevir was presented at EASL's International Liver Congress 2015. A number of key presentations described the efficacy, safety and tolerability of simeprevir in different combination treatments, based on data from phase II and phase III trials, and from clinical use (known as "real-world data").
- Data from the OPTIMIST trials showed a 97 per cent SVR12 in hepatitis C patients without cirrhosis and of 84 per cent in patients with cirrhosis. Janssen Sciences Ireland UC published positive results for simeprevir at The International Liver Congress™ 2015 of the European Association for the Study of the Liver (EASL) in Vienna.
- Medivir announced that Janssen had submitted a supplemental New Drug Application to the US FDA for OLYSIO® (simeprevir) in combination with sofosbuvir. This sNDA was based on the results of the phase III OPTIMIST-1 and OPTIMIST-2 trials, which evaluated 12 and 8 weeks of therapy for genotype 1 CHC adult patients without cirrhosis, and 12 weeks of therapy for genotype 1 CHC adult patients with cirrhosis.
- Medivir announced the start of a clinical phase I trial of the nucleotide polymerase inhibitor, AL-704, for the treatment of hepatitis C. The phase I trial was a randomised, double-blind, placebo-controlled, 3-part study of orally administered AL-704 to evaluate the safety, tolerability, and pharmacokinetics of single ascending doses (Part 1) and food-effect (Part 2) in healthy volunteers, and multiple doses (7 days) in subjects with chronic hepatitis C infection of genotypes 1 and 3 (Part 3).

- Medivir announced that Janssen had started a phase I study to evaluate the effect of simeprevir and odalasvir on AL-335 pharmacokinetics. The primary objective of the study was to investigate the potential effect of simeprevir and odalasvir on the pharmacokinetics of AL-335 when administered in combination to healthy volunteers.
- Medivir announced that Janssen had started a phase IIa study to evaluate the effect of simeprevir in combination with odalasvir and AL-335. The primary objective of the study was to establish the safety of the treatment regimen with secondary endpoints consisting of pharmacokinetics, the proportion of subjects achieving sustained viral response (SVR), and the effect on the viral resistance profile after treatment.
- Medivir announced that development of the HCV nucleotide polymerase inhibitor, AL-704, was terminated by Janssen. The development of AL-704 was terminated following completion of phase I clinical studies, demonstrating that AL-704 was safe, well tolerated and had acceptable pharmacokinetic properties. However, its clinical antiviral activity in patients infected with HCV genotype 1 was insufficient to justify further clinical studies.

Organisational changes

- The management group was reorganised in order to enhance operational efficiency and increase operational focus. The company's management group, post-changes, now comprises six persons, including the CEO, as opposed to the previous figure of eight.
- Two new people were recruited by the company in order to strengthen important functions, namely Christine Lind, EVP Strategic Business Development and Ola Burmark, CFO.
- The company reorganised its research organisation (Discovery Research), resulting in an increased focus on the core areas of oncology and infectious diseases, and initiated a partnership with GVK BIO with the aim both of improving the efficiency and quality of the research projects that make up Medivir's project portfolio, and of cutting research costs and enhancing Medivir's future cost flexibility over time.
- The company combined its research and development work into a single unit, headed by the new EVP Research & Development, Richard Bethell, as part of our efforts to optimise operations.

Other

- Medivir's redemption programme comprised a total of 4,465,717 shares. At the end of the application period, a total of 4,293,990 shares had been registered for redemption, corresponding to a take-up rate of 96.2 per cent. A cash sum totalling approximately SEK 601.2 million was transferred to the shareholders.
- Medivir's Board of Directors resolved to buy back its own shares and on 31 December 2015, the company owned 130,000 shares in Medivir.

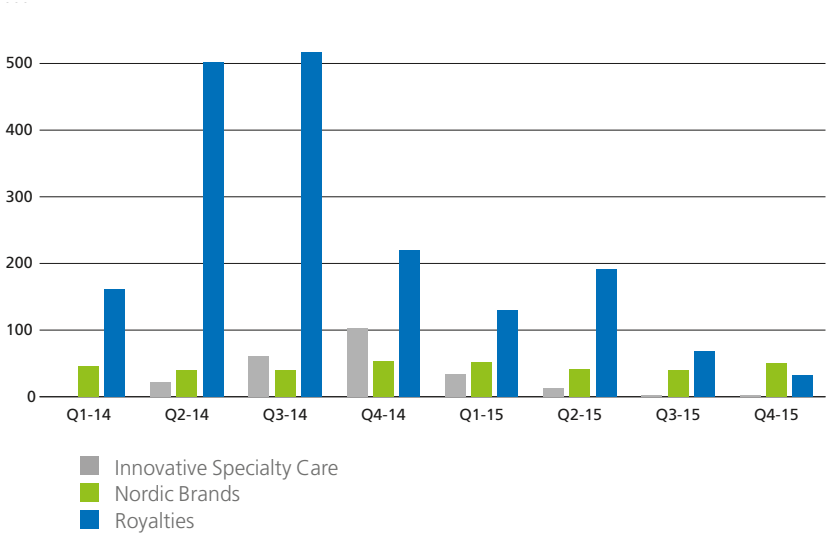
The Group's results and financial position

The Group's operations are reported in a single segment comprising both pharmaceutical research and development, and pharmaceutical sales.

Revenues and results

Net turnover totalled SEK 657.9 million (SEK 1,767.0 m) for the period, corresponding to a decrease of SEK 1,109.1 million. Royalty income totalled SEK 420.4 million (SEK 1,400.2 m), and was primarily attributable to Janssen's global sales of simeprevir, which totalled USD 621 million (USD 2,302 m). Royalty income from GlaxoSmithKline's global sales of Xerclear (Zoviduo) during the period totalled SEK 1.8 million. Income from proprietary pharmaceutical sales in the Nordic region totalled SEK 237.5 million (SEK 366.8 m), SEK 53.0 million (SEK 186.4 m) of which derived from sales of OLYSIO® and SEK 184.5 million (SEK 180.4 m) from sales of other pharmaceuticals. Sales of other pharmaceuticals increased by SEK 4.1 million, largely thanks to strong brands such as Mollipect, Suscard, Paraflex and Lithionit.

Breakdown of net turnover (SEK m)	2015	2014
Pharmaceutical sales	237.5	366.8
Royalties	420.4	1,400.2
Total	**657.9**	**1,767.0**



The cost of goods sold totalled SEK –109.3 million (SEK –174.0 m), corresponding to a decrease of SEK 64.7 million. The gross profit was SEK 548.6 million (SEK 1,593.0 m), corresponding to a decrease of SEK 1,044.4 million and equating to a gross margin of 83 per cent (90%), attributable to a shift from royalty income to income from pharmaceutical sales. Selling expenses fell by SEK 5.2 million due, primarily, to the adjustment of the size of the sales organisation occasioned by the drastically reduced sales of OLYSIO® in the Nordic market. Administrative expenses decreased by SEK 2.2 million, while research and development costs increased by SEK 32.6 million, largely due to the MIV-711 project which has progressed to the clinical development phase and to the development of projects such as RSV fusion inhibitors and the HCC nucleotide projects. Other operating income/expenses were positive, decreasing by SEK 4.4 million, which was largely due to exchange rate effects. Operating costs totalled SEK –433.8 million (SEK –404.2 m), corresponding to an increase of SEK 29.6 million, with staff overheads of a non-recurrent nature accounting for SEK 17.1 million of this total.

The operating profit/loss was SEK 114.8 million (SEK 1,188.7 m), corresponding to a decrease of SEK 1,073.9 million.

Net financial items totalled SEK –12.8 million (SEK 4.0 m), corresponding to a decrease of SEK 16.8 million due to unfavourable exchange rates and unrealised losses attributable to negative market valuations of short-term interest-bearing investments.

The tax expense for the period totalled SEK –26.9 million (SEK –60.0 m), corresponding to a decrease of SEK 33.1 million that was primarily attributable to the fall in profits. The Group's estimated tax expense is calculated taking into account a deferred tax receivable and on the basis of a tax rate of 22 per cent.

Cash flow and financial position

Liquid assets, including short-term investments with a maximum term of three months, totalled SEK 1,077.9 million (SEK 1,395.6 m) at the period end. The corresponding amount at the beginning of 2015 was SEK 1,395.6 million (SEK 402.2 m), corresponding to a decrease of SEK 317.7 million. Royalty payments for the fourth quarter totalled SEK 31.6 million and are not included in liquid assets at the period end. Pledged assets at the period end totalled SEK 54.3 million (SEK 54.3 m). Medivir's financial assets are, in accordance with its financial policy, invested in low-risk, interest-bearing securities.

The cash flow from operating activities totalled SEK 307.4 million (SEK 1,014.4 m), with changes in working capital accounting for SEK 199.8 million (SEK –2.1 m) of this total. The positive cash flow refers primarily to royalties received during the first two quarters of the year.

The cash flow from investing activities was SEK -15.0 million (SEK –17.7 m), and is mainly related to investments in research and office equipment, and in IT systems totalling SEK –20.1 million (SEK –20.2 m), and payment of the purchase price attributable to the divestment of Cross Pharma, which totalled SEK 5.0 million (SEK 5.0 m).

The cash flow from financing activities amounted to SEK –611.6 million (SEK 0.0 m) and referred to funds distributed as a result of the share redemption programme and the buyback of the company's own shares.

Investments, depreciation and amortisation

A total of SEK 10.0 million (SEK 8.9 m) was invested in tangible fixed assets during the period and related to the purchase of research and office equipment, and IT systems. Amortisation of tangible fixed assets was charged to the profit/loss for the period in the sum of SEK –10.6 million (SEK –10.1 m). Depreciation of intangible fixed assets in the sum of SEK –23.5 million (SEK –23.1 m) was charged to the profit/loss for the period.

Royalty undertakings

A significant percentage of Medivir's research and development projects work has been carried out exclusively in-house, and Medivir is consequently entitled to all revenues in respect of these inventions. Medivir also conducts research and development work that originates from Swedish universities and pharmaceutical companies, and Medivir is consequently entitled to the revenues generated by these projects but obliged to pay royalties on the same. Certain projects have been progressed using research tools for which patents have been sought, which have been in-licensed from other companies and which command royalty payments. Royalty costs during the period totalled SEK 25.6 million (SEK 87.2 m).

Patents

Securing patent protection forms the basis for all new pharmaceutical projects, whether they have been developed in Medivir's own laboratories or been in-licensed. Patents and other exclusive rights, such as data exclusivity and trademark protection, play a key role in determining the companies' future commercial opportunities. Medivir had 47 active patent families at year-end, with over 200 national patents awarded. Medivir registered new patent families during the year as part of the RSV, oncology and MIV-802 projects.

Significant risks and uncertainty factors

An effective risk assessment reconciles Medivir's business opportunities and financial results with the requirements of shareholders and other stakeholders for stable, long-term value growth and control. If competing products take market shares or competing research projects achieve better efficacy and reach the market more quickly, the future value of Medivir's product and project portfolio may be lower than originally expected. The process of research and pharmaceutical development, all the way up to approved registration, is both highly risky and capital-intensive. The majority of the

projects begun never achieve market registration. Medivir's ability to produce new candidate drugs, to enter into partnerships, and to successfully develop its projects to market launch and sales, are decisive in terms of the company's future.

Research

Pharmaceutical research and development is associated with a high level of risk. Many of the projects begun will be abandoned during the process when the substances being developed either prove unable to demonstrate the desired effect or display risks of unwanted side effects. Nor is Medivir the only company to be carrying out research projects in its focus areas, and competing research projects may, therefore, enjoy successes that make completing a project less attractive for marketing reasons.

Competition

The competition within Medivir's business sector is intense and Medivir's competitors may develop, market and sell pharmaceuticals that are more effective, safer and cheaper than Medivir's. The pharmaceutical industry is a highly competitive one and there is a risk that the company will be unable to maintain its current profit margins. A number of Medivir's most significant competitors develop and market pharmaceuticals addressing the same diseases as those upon which Medivir is focusing. Competitors may also have both greater manufacturing and distribution capacity and superior pharmaceutical sales and marketing prospects than Medivir.

Commercial success and market acceptance

There is no guarantee, even if Medivir's project and product portfolio receives regulatory approval, that the pharmaceuticals will achieve commercial acceptance amongst physicians, patients or drug purchasing organisations. The degree of market acceptance depends on a number of different factors, including the incidence and degree of any side effects, the availability of alternative therapies, price and cost effectiveness, and sales and marketing strategies.

Regulatory approval

Medivir is exposed to regulatory decisions such as the permits required to commercialise pharmaceuticals and regulatory changes with regard to pricing and discounting of pharmaceuticals, or altered conditions for prescribing a particular pharmaceutical product.

Product liability and insurance cover

Medivir's operations entail product liability – something that is unavoidable in conjunction with research and development, preclinical trials and clinical trials, and the production, marketing and sale of pharmaceuticals. Even if Medivir considers its existing insurance cover to be sufficient, the extent and amount of indemnity provided by the insurance cover is limited and there is, therefore, no guarantee that Medivir will receive full recompense for any damage incurred under its existing insurance cover. There is, equally, no guarantee that suitable insurance cover can be obtained at an acceptable cost, that such insurance cover can actually be arranged, or that product liability claims or other claims will not have a significantly negative effect on Medivir's operations and financial position.

Production

Medivir has no proprietary production and the company is consequently dependent on subcontractors for pharmaceutical production and for production for projects in preclinical and clinical development. The relevant compound must be produced in a sufficient quantity and with sufficient quality. The risk exists that Medivir will not have the ability to satisfy its production needs at a reasonable cost at the appropriate time. Production processes must, furthermore, take into account the environment, working conditions, and human rights.

Patent protection

Medivir's future success is largely dependent on the company's ability to secure and retain protection for the intellectual property rights attributable to Medivir's products. Assessing the potential for achieving patent protection for inventions within the pharmaceutical and biotechnology areas is generally difficult and entails addressing complex legal and scientific issues. There is no guarantee that Medivir will be able to secure and retain patents for either its products or its technologies. Even if patents are issued, they may be contested, invalidated or circumvented, which will limit Medivir's ability to prevent competitors from marketing similar products and reducing the time for which Medivir has patent protection for its products.

Collaboration risks

Entering into collaboration agreements with pharmaceutical and biotechnology companies for the development and sales of the company's potential products is a significant component of Medivir's strategy. The success of such partnerships may vary. Conflicts or differences of opinion may arise between Medivir's partners or counterparties with regard to the interpretation of clinical data, achieving milestone payments, and interpretation of financial remuneration for or title to patents and similar rights developed within the frameworks of these partnerships. A few partnership collaborations are presently responsible for a large percentage of Medivir's current and future potential revenues and these partners are, in many cases, significantly larger than Medivir.

Safety and efficacy criteria in clinical trials

Medivir and/or its partner must, before launching any of Medivir's pharmaceutical compounds, demonstrate that the pharmaceutical compound complies with the stringent safety and efficacy norms set by the regulatory authorities in the countries in which Medivir plans to

market the pharmaceutical. The process of obtaining regulatory authorisation usually demands extensive preclinical and clinical trials, which are extremely costly and take a very long time. The FDA, EMA and other regulatory authorities may delay, restrict or refuse authorisation for a number of reasons, including the possibility that a pharmaceutical compound is unsafe or ineffective. If Medivir is unable to obtain authorisation for its existing or future candidate drugs, it will be unable to market or sell them. Any deficiencies or delays in the implementation of preclinical or clinical trials will reduce or delay Medivir's ability to generate revenues from the commercialisation of these candidate drugs and may have a significant negative effect on Medivir's ability to retain and complement its project portfolio.

Reliance on key employees

Medivir is very reliant on certain key employees. The ability to recruit and retain qualified employees is of the utmost importance in ensuring the requisite level of expertise within the company.

Financial risks

There is no guarantee that Medivir will, in future, be able to report a profit. The future profit performance is uncertain due, in part, to the fact that new partnership agreements and those already entered into may have a significant impact on Medivir's future revenues and cash position. For a detailed presentation of financial risks, such as currency risk, interest rate risk, credit risk and liquidity risk, see Note 8 on pages 62–64.

Transactions with related parties

Transactions with related parties are on market terms. There are existing agreements between companies owned by senior executives and Medivir entered into in 2005, conferring entitlement to royalties on products that the company may develop based on patented inventions that the company has acquired from the parties in question. Royalty payments of SEK 3.3 million (SEK 11.1 m) were made to Uppsala Hallbechem AB (Board Member, Anders R Hallberg), and of SEK 9.0 million (24.2 m) to Sybesam AB (Board Member, Bertil Samuelsson) during the period. Other services were purchased from related parties for a total of SEK 0.0 million (SEK 0.8 m). Parent company sales to Group companies amounted to SEK 37.5 million (SEK 59.5 m).

Employees

On 31 December, the Group had 127 (141) employees, corresponding to a decrease of 14 since December 2014 caused, primarily, by the reorganisation that took place during the year when Medivir entered into a partnership with GVK BIO and brought the company's research and development work together under the banner of a single organisation. The average number of full-time employees in 2015 was 134, in comparison with 141 in 2014.

Environmental work and occupational health & safety

Medivir creates sustainable values by taking to market products that help improve the quality of/extend people's lives. Medivir is also keen to be a responsible business partner and employer and consequently conducts an active programme of environmental and occupational health & safety work that ensures the company complies fully with all environmental and occupational health & safety-related legislation. Medivir's Occupational Health & Safety Policy, and our Environmental Policy, both emphasise the importance of maintaining a good working environment and of minimising the environmental impact of our operations.

Medivir works systematically to ensure efficient resource management. Our goal is to recycle everything that can be recycled, and the company has established comprehensive routines for recycling paper, consumable plastic, glass packaging, and cardboard.

Any hazardous waste that cannot be recycled is stored, processed and disposed of in accordance with established guidelines for hazardous waste management. Medivir's research facility in Huddinge handles small amounts of hazardous waste, primarily in the form of solvents and chemically contaminated materials.

Medivir works continuously to reduce its use of environmentally hazardous substances.

All of our production of pharmaceutical products is carried out by subcontractors with whom Medivir has contractual agreements. The production facilities are located in Switzerland, Germany, Portugal, Finland, Norway and Sweden. All of our contracted manufacturers are certified in accordance with the ISO 14001 environmental management standard and the ISO 9001 quality management standard.

The company is not involved in any environmental disputes.

Medivir conducts a systematic programme of occupational health & safety work in order to ensure continuous improvements in our employees' safety and in their work environment. Formal responsibility for occupational health & safety issues is delegated within the line management structure. An occupational health & safety group, comprising managers, health & safety representatives, and employees works continuously with these issues and carries out regular health & safety inspections. The company has documented safety routines and employees receive ongoing training in safety issues.

The operations' biggest health risks arise in connection with the handling of chemicals, but by ensuring that all chemicals are handled correctly, which includes the performance of risk assessments before the laboratory experiments begun, the health risks are minimised. All work with chemicals is carried out in ventilated facilities and all fume hoods and secure benches are fitted with alarms and are inspected regularly.

Personal safety equipment and protective clothing are used.

Incident reporting is an important tool in improving occupational health & safety and all incidents and accidents are,

therefore, followed up. No workplace accidents were reported to the Swedish Work Environment Authority in 2015.

IT security

The importance of protecting the company's information means that IT security is a high priority for Medivir. The company's IT policy contains guidelines on organisation, responsibilities, authorisation, permissions administration, antivirus protection, traceability, classification of information, and operational and communications security.

All data is copied and handled in accordance with carefully defined security and backup routines. External communication is safeguarded by means of encrypted data traffic. Computers and software are secured with the aid of local hardware encryption. Medivir also works continuously to reinforce its employees' security awareness when handling both hardware and software.

The Parent Company in brief

The Parent Company's net turnover totalled SEK 500.8 million (SEK 1,646.4 m). Sales to Group companies amounted to SEK 37.5 million (SEK 59.5 m).

The gross profit totalled SEK 443.0 million (SEK 1,517.9 m). Operating costs totalled SEK –359.5 million (SEK –336.8 m), while the operating profit was SEK 83.4 million (SEK 1,181.1 m), corresponding to a decrease of SEK 1,097.7 million. Net financial items amounted to SEK –32.3 million (SEK –48.9 m), corresponding to a decrease of SEK 16.6 million resulting from unrealised losses attributable to negative market valuations of short-term, interest-bearing investments.

The tax for the period amounted to SEK –9.8 million (SEK –8.8 m) and the profit for the period was SEK 3.4 million (SEK 942.4 m), corresponding to a decrease of SEK 939.0 million and primarily due to a reduction in royalty income.

Liquid assets, including short-term investments with a maximum term of three months, totalled SEK 941.3 million (SEK 1,352.9 m).

Events after the end of the financial year

Start of a phase IIa study with MIV-711 for the treatment of knee osteoarthritis

In January 2016, Medivir began the enrolment of volunteers for a randomised, double-blind, clinical phase IIa trial with the aim of evaluating the effects of treatment with Medivir's in-house developed cathepsin K inhibitor, MIV-711 in patients with moderate knee osteoarthritis. The trial will comprise 240 patients divided between three arms, each of 80 patients, and will compare the results of once daily treatment with 100mg and 200mg of MIV-711 and a placebo. The key objectives are to assess both the effect of six months of treatment with MIV-711 on knee joint clinical pain and knee osteoarthritis, based on magnetic resonance imaging, as well as the safety and tolerability of MIV-711. Medivir expects to obtain the data from the study in the third quarter of 2017.

The Nomination Committee´s proposal for a new Board of Directors ahead of 2016 AGM

The composition of the 2015–2016 Nomination Committee was as follows:

- Maria Rengefors, Chairman of the Nomination Committee, representing Nordea Fonder
- Anders M Hallberg, representing HealthInvest Partners AB
- Bo Öberg, representing the class A shareholders
- Birgitta Stymne Göransson, Chairman of the Board of Medivir AB

The Nomination Committee has agreed, ahead of the upcoming 2016 Annual General Meeting, to propose that a new Board of Directors be appointed by means of the re-election of the Board's existing Members, namely Anders Ekblom, Anders R Hallberg, Johan Harmenberg, Helena Levander and Anna Malm Bernsten, and the new election of one Member, namely Thomas Axelsson. The Committee also proposes the election of Anna Malm Bernsten as Chairman of the Board.

Bertil Samuelsson and Birgitta Stymne Göransson have declined re-election.

Summary of future development work

Medivir will continue to exploit our leading expertise in the design of protease inhibitors and nucleotide and nucleoside research with a focus on infectious diseases and oncology. Medivir has several attractive in-house projects in the development phase as well as a number of early discovery projects. A number of studies of simeprevir in combination with other direct-acting antiviral agents are also being conducted in parallel under the aegis of Janssen with the aim of developing interferon-free treatment alternatives for different patient groups with hepatitis C. The goal of building growth through the inlicensing of new, specialist pharmaceuticals for the Nordic market is a challenging one, due to the limited geographical coverage. In order to continue generating value, therefore, Medivir is intensifying its commercial development activities with the aim of complementing our research operations with new clinical phase projects. That having been said, investments in expanding the research portfolio lead us to foresee a period when we will report losses.

Proposed treatment of the unappropriated earnings

The Board of Directors and the President & CEO proposes that the unappropriated earnings available for disposition totalling SEK 1,165,038,322, be carried forward.

	SEK
Share premium reserve	1,333,532,496
Accumulated loss	–171,898,478
Net profit for the year	3,404,304
Total	**1,165,038,322**

Dividend

The Board of Directors proposes that no dividends be paid for the 2015 financial year.

Corporate Governance Report

The Chairman's Statement

Medivir places great emphasis on sound corporate governance. It is a key factor in building confidence amongst shareholders and other stakeholders, and an important element of the Board's mandate to represent continuity and a long-term approach.

One of the important focal areas for the Board's work in 2015 entailed following up on the R&D strategy implemented in 2014, comprised of both reviewing strategic priorities within the existing portfolio and analysing the possible means to expand the portfolio. The Board membership possesses wide-ranging, in-depth research expertise in Medivir's core areas, and this expertise is a valuable cornerstone of our ability to support and challenge the company management team in a constructive way.

In 2015, the Board also worked on mapping and evaluating both concrete partners and collaboration opportunities with reference to both R&D and the commercial portfolio. The Board's discussions have focused heavily on promoting and enhancing the visibility of Medivir's shareholder value.

The percentage of foreign ownership of Medivir increased in 2015 from 28 to 43 per cent, and the new owners mostly have extensive industry expertise, a global view, and specialisation in investments in pharmaceutical development. I regard the fact that this group is increasing its ownership as evidence of a growing confidence in Medivir's ability to continue building long-term value – and both the Board as a whole and I share this confidence.

Birgitta Stymne Göransson
Chairman of the Board

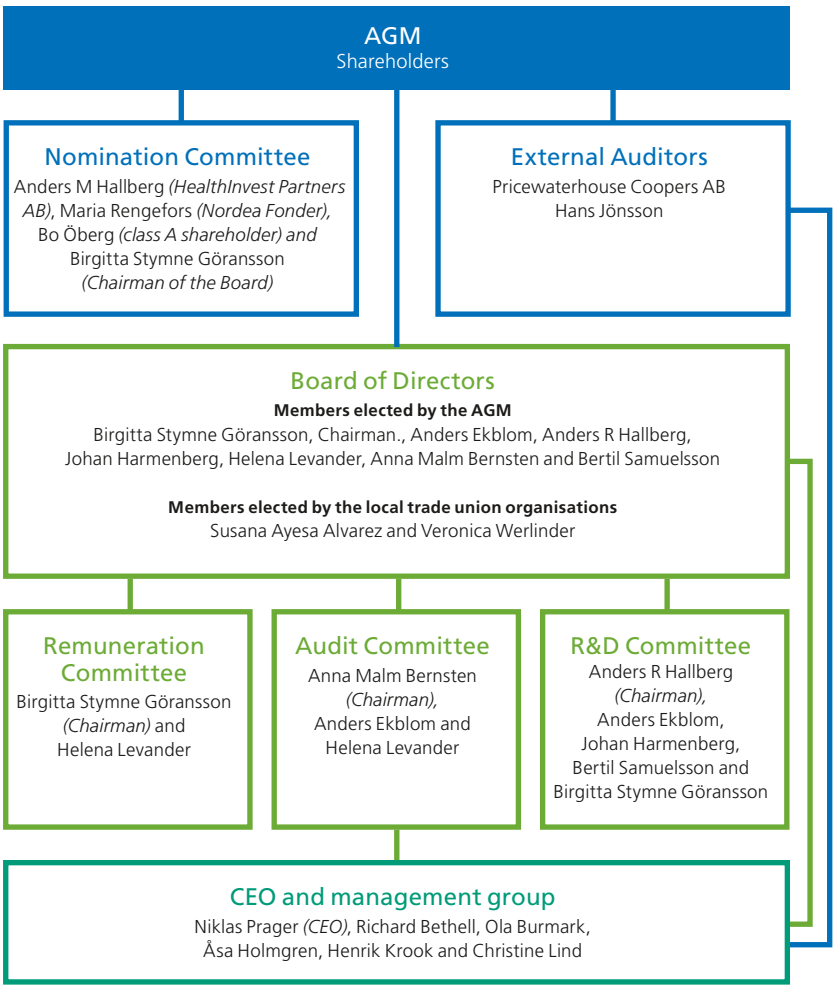
The Medivir Group comprises eight companies. The Parent Company of the Group is the Swedish public limited company Medivir AB, whose shares are quoted on the Nasdaq Stockholm stock exchange.

Good corporate governance is an essential component of Medivir's efforts to create value for its shareholders and to this end, we endeavour at all times to:

- Generate optimum conditions for active and responsible corporate governance.
- Achieve a well-balanced division of responsibility between owners, the Board of Directors, and the company management.
- Maintain a high level of transparency in relationships with owners, the capital market, employees and society at large.

Compliance with the Swedish Code of Corporate Governance

Medivir has applied the Swedish Code of Corporate Governance (Code) since 1 July 2008 and has undertaken to follow best practice, wherever possible, with regard to corporate governance. Medivir has not deviated from any of the regulations specified in the Code.



The model reflects the situation as of 31 December 2015.

Decision-making at shareholders' meetings

Medivir's shareholders exercise their right of decision at the Annual General Meeting (AGM) and any Extraordinary General Meetings (EGM). Class A shares carry 10 votes, while class B shares carry 1 vote. See page 22 for additional information on Medivir's share and shareholders.

Annual General Meeting

Shareholders exercise their control over the company at the AGM or, if called, at EGM´s. Minutes from and information on Medivir's previous AGM´s can be found on the company's website.

2015 Annual General Meeting

The 2015 AGM was held on 5 May 2015. 153 (155) shareholders attended the Meeting, either in person or through proxies, representing 33.75 (54.5) per cent of the votes. Attorney-at-Law, Erik Sjöman, was elected Chairman of the Board. The matters resolved by the Meeting were:

- The re-election of Board Members Anders R Hallberg, Anna Malm Bernsten, Birgitta Stymne Göransson, Anders Ekblom and Bertil Samuelsson. The new election of two Board Members, Johan Harmenberg and Helena Levander. Birgitta Stymne Göransson was elected Chairman of the Board.
- The Auditor's fee for the period until the next AGM shall be payable upon approval of their invoice within the framework of the amount quoted.
- Guidelines for remuneration to senior executives.
- Procedures for the appointment of the Nomination Committee and its work.
- The Directors' fees for the period until the next AGM were maximised at SEK 2,750,000, divided between them as follows:
  The Chairman of the Board shall receive SEK 575,000 and the other Members who are not employed by the company shall each receive SEK 240,000. Remuneration for committee work shall be paid in a combined sum of SEK 735,000, to be divided into SEK 210,000 in respect of the Audit Committee (of which SEK 80,000 shall be paid to the Committee's convening officer and SEK 65,000 to each of the other two members), SEK 115,000 in respect of the Remuneration Committee (of which SEK 65,000 shall be paid to the Committee's convening officer and SEK 50,000 to one other member), and SEK 410,000 in respect of the R&D Committee (of which SEK 90,000 shall be paid to the Committee's convening officer and SEK 80,000 to each of the other four members).
- Authorisation of the Board of Directors on one or more occasions before the next AGM, with or without deviation from the shareholders' preferential rights, to approve the new issue of class B shares in a number that shall not, collectively, exceed 10 per cent of the total number of class B shares outstanding after utilisation of the authorisation[1)].
- The authorisation of the Board of Directors on one or more occasions before the next AGM, to approve the acquisition of as many of the company's own shares such that the company's holding shall not, at any point, exceed 10 per cent of all shares in the company. It was further resolved to authorise the Board of Directors on one or more occasions before the next AGM, to approve the transfer of its own shares. After exercise of the authorisation, the company holds 130,000 of its own shares.

2016 Annual General Meeting

Medivir's 2016 AGM will be held at 14.00 (CET) on 3 May at the "7A Centralen" conference facility at Vasagatan 7 in Stockholm. Shareholders wishing to raise a matter for consideration by the AGM must submit a written request to the Board of Directors in good time prior to the Meeting.

The Board of Directors can be contacted by means of letters in the post to the following address: Styrelsen, Medivir AB, Blasieholmsgatan 2, 111 48 Stockholm, or by means of emails to: info@www.medivir.se. For further information, see Medivir's website: www.medivir.com.

Nomination Committee

The Nomination Committee procedure adopted at the 2015 AGM means that the Chairman of the Board shall contact the three biggest shareholders in terms of the number of votes at the end of the third quarter of the year and offer them the opportunity to each appoint a representative to the Nomination Committee. If any of these shareholders waive their right to appoint a representative, the right shall pass to the shareholder with the next largest shareholding after these shareholders. The Chairman of the Board shall, in accordance with the procedure, also be a member of the Nomination Committee. The Nomination Committee members shall jointly elect a Chairman to lead the work of the Committee.

Shareholders wishing to contact the Nomination Committee can do so by means of letters in the post to the following address: Valberedningen, Medivir AB, Blasieholmsgatan 2, 111 48 Stockholm, or by means of emails to: valberedning@medivir.se.

Nomination Committee duties

The duties of the Nomination Committee have changed over the years in order to comply with the requirements of the Code. The primary duty of the Nomination Committee continues, however, to be to propose candidates for election to the Board of Directors. The Nomination Committee must, in order to ensure its ability to evaluate the expertise and experience required of the Board Members, keep itself informed of the Group's strategy and the challenges it will face in the years ahead.

The Nomination Committee must also take into consideration all applicable rules governing the independence of the Members of the Board. The Nomination Committee shall also draw up proposals for resolution by the AGM regarding the remuneration and fees payable to:

- Members of the Board who are not employed by the company and who are elected by the AGM.
- The Auditor.
- The members of the Nomination Committee.

The Nomination Committee has not, to date, proposed the payment of any remuneration to its members. The Nomination Committee proposes candidate auditors in consultation with the Board's Audit Committee.

[1)] The authorisation was not utilised in 2015.

The Board of Directors' attendance and fees (SEK k)[10)]

				PRESENT (TOTAL NUMBER OF MEETINGS)				TOTAL REMUNERATION
Members elected by the AGM	**Elected**	**Born**	**Independent**	**Board Meetings**	**Remuneration Committee**	**Audit Committee**	**R&D Committee**	
Birgitta Stymne Göransson, Chairman.	2013	1957	Yes	11 (11)	2 (2)		2 (2)	720,000
Björn C Andersson[2)]	2008	1946	Yes	4 (4)		1 (1)		–
Anders Ekblom	2014	1954	Yes	11 (11)	1 (1)	3 (3)	2 (2)	385,000
Anders R Hallberg[3)]	2012	1945	No[1)]	11 (11)			2 (2)	330,000
Johan Harmenberg[4)]	2015	1954	Yes	5 (7)			2 (2)	320,000
Helena Levander[4)]	2015	1957	Yes	7 (7)	2 (2)	3 (3)		355,000
Anna Malm Bernsten[5)]	2006	1961	Yes	10 (11)	1 (1)	4 (4)		320,000
Bertil Samuelsson[6)]	2014	1950	No[1)]	11 (11)			2 (2)	320,000
Members elected by the local trade union organisations								
Susana Ayesa Alvarez	2013	1970		10 (11)				
Christian Sund[7)]	2013	1958		7 (7)				
Veronica Werlinder[8)]	2013	1966		9 (11)				
Pia Appelqvist (Deputy Member)[9)]	2015	1972		2 (3)				
Stina Lundgren (Deputy Member)	2013	1979		10 (11)				

1) Independent in relation to the company's major shareholders, but not independent in relation to the company and the company management.
2) Resigned at the 2015 Annual General Meeting. For remuneration, see also Note 5 on page 59.
3) Royalties in accordance with pre-existing agreements have, in addition to Director's fees, been paid to Uppsala Hallbechem AB in the sum of SEK 3,259 k (11,057) for 2015.
4) Took up the position at the 2015 Annual General Meeting.
5) Travel expenses totalling SEK 1 k (1) have, in addition to Director's fees, been paid in 2015.
6) Royalties in accordance with pre-existing agreements have, in addition to Director's fees, been paid to SYBESAM AB in the sum of SEK 8,998 k (24,158) for 2015.
7) Resigned in June 2015.
8) Became an Ordinary Member of the Board in September 2015. Previously a Deputy Member.
9) Took up the position in September 2015.
10) The table refers to fees paid to the Board of Directors during the period from May 2015 – April 2016 (2015). The fee payable to Members of the Board elected by the Annual General Meeting is determined by the Annual General Meeting in line with a proposal by the Nomination Committee. Fees for 2015 have been paid in the amounts shown in the above table, which excludes travel expenses. Differences arise between the maximum fee approved by the Annual General Meeting and the actual amount disbursed, as the actual amount disbursed during the calendar year is a combination of the fees paid between the two most recent General Meetings.

Members of the Nomination Committee

The Nomination Committee prior to the 2016 AGM (appointed by the biggest shareholders in terms of the number of votes held as of 30 Sept. 2015)

Name	**Representing**	**Proportion of votes, %, on 30 Sept. 2015**
Bo Öberg	Class A shareholders	19.8
Maria Rengefors	Nordea Fonder	5.1
Anders M Hallberg	HealthInvest Partners AB	4.1
Birgitta Stymne Göransson	Medivir's Board of Directors	0
Total		**29.0**

The Nomination Committee is also tasked with proposing a candidate for election as Chaiman of the AGM.

The work of the Nomination Committee ahead of the 2016 AGM

The work of the Nomination Committee begins with a review of a checklist detailing all of the duties of the Nomination Committee as prescribed by the Swedish Code of Corporate Governance and by the Nomination Committee's Rules of Procedure as adopted by the AGM. A timetable is also set for the work to be carried out. A good understanding of Medivir's operations is vital in enabling the members of the Nomination Committee to carry out their duties.

The Chairman of the Board is responsible for the annual appraisal of the work of the Board of Directors, including the efforts of the individual Members of the Board. The Nomination Committee has been informed of the results of these appraisals, including the appraisal of the Chairman of the Board. The Nomination Committee is able, on the basis of this information, to adjudge the expertise and experience required on the part of the Members of the Board. The Nomination Committee has also studied the Group's and Audit Committee's appraisals of the quality and efficiency of the Auditor's work, including recommendations for auditors and audit fees.

The Nomination Committee has held five meetings, at which all members were present, by 29 February 2016.

The Nomination Committee's full proposal for the 2016 AGM was published in conjunction with the issue of the notice convening the AGM.

Duties and work of the Board of Directors

The primary duty of the Board of Directors is to manage the Group's operations on behalf of the owners in such a way

that the owners' interests, in terms of a long-term healthy return on capital invested, are optimally protected. The Board of Directors manages and decides on Group-wide issues such as:

- Strategic orientation and significant objectives.
- Significant issues in relation to the optimisation of capital structure, investments, acquisitions and divestments.
- Following up and monitoring of operations, information provision and organisational issues, including appraisals of the Group's executive management.
- Appointment and, when required, dismissal of the company's CEO.
- Overall responsibility for setting up efficient systems for internal monitoring and risk management.
- Significant policies.

The composition of the Board of Directors

The Members of the Board shall serve from the end of the AGM at which they were elected until the end of the next AGM. There is no limit on the number of consecutive periods during which a person may be a Member of the Board. The Board of Directors elected by the shareholders at the 2015 AGM for the period until the end of the 2016 AGM comprised seven Members of the Board and no Deputy Members, including the Chairman of the Board. The Board also includes two Members elected by the local trade union organisations, each with their own Deputy Members. Women make up 43 per cent of the company's Board of Directors.

The CEO, CFO and Secretary to the Board also attend Board Meetings, other than in conjunction with matters where disqualification may be an issue or where it is otherwise inappropriate for them to attend, e.g. in conjunction with the evaluation of the CEO's work.

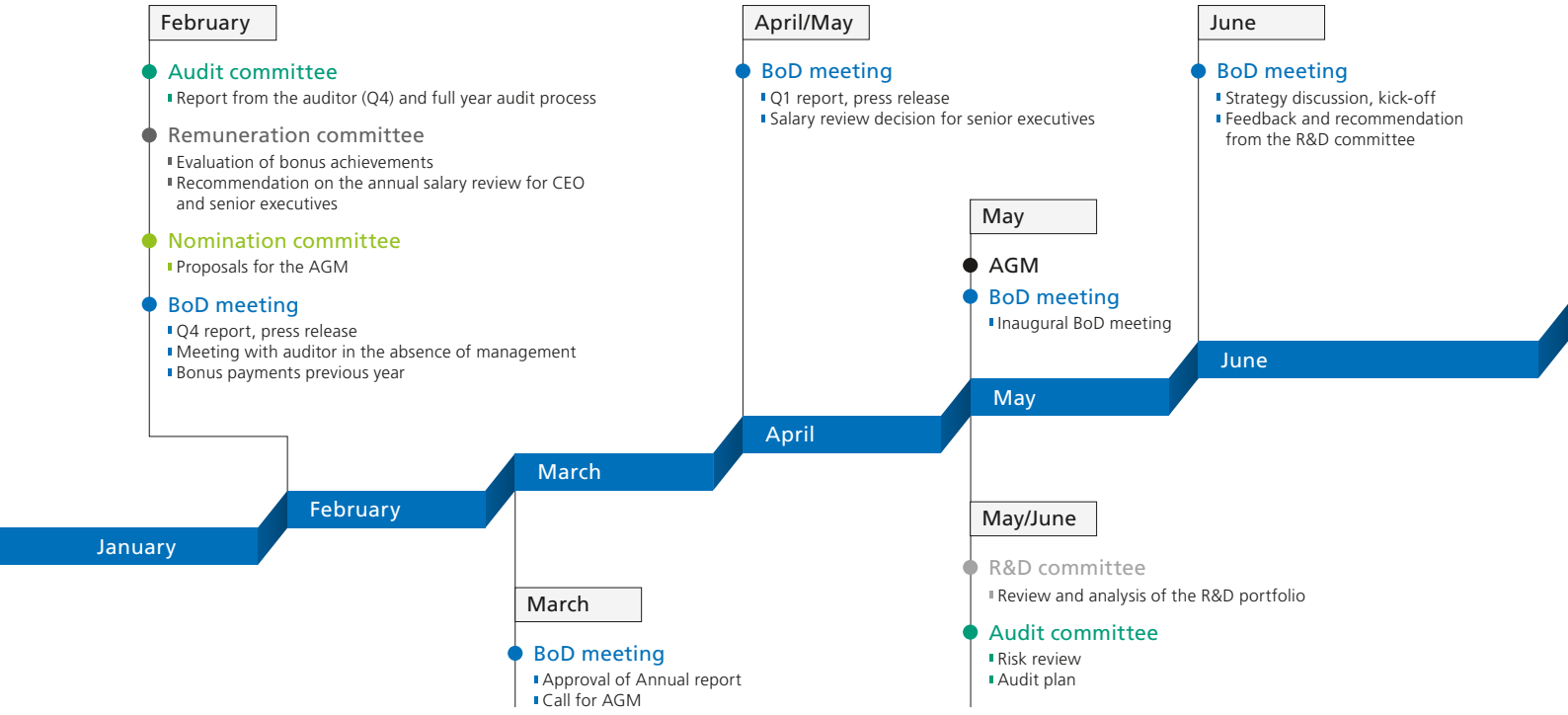
See pages 40–41 for a presentation of the Members of the Board.

Rules of Procedure and Board Meetings

The Board of Directors adopts written Rules of Procedure every year, clarifying the duties of the Board and regulating the division of labour of the Board and its Committees, including the role of the Chairman, the decision-making process within the Board, the Board's schedule of meetings, notices convening Board meetings, agendas and minutes. The Rules of Procedure also regulate the ways in which the Board shall receive information and documentation in order to ensure its ability to take well-founded decisions. The Board of Directors also adopts written instructions for the CEO each year, clarifying the CEO's responsibility for the ongoing administration, methods of reporting to the Board, the requirement for internal control instruments, and other matters requiring a decision by the Board or which must be reported to the Board.

The Rules of Procedure require an inaugural Board Meeting to be held immediately after the AGM. The Board normally also holds a minimum of six further Meetings each year. Four of these Meetings are held in conjunction with the publication of the Group's annual and interim financial reports. At least one of the Meetings deals with the research portfolio and at least one deals with specific strategic issues. The budget and economic outlook are addressed during the final Meeting of each calendar year. Additional Meetings, including telephone conferences, are held as required.

The Board's annual work



The duties of the Chairman of the Board

The Chairman of the Board is responsible for ensuring that the work of the Board is well-organised, conducted efficiently, and that the Board fulfils its obligations. The Chairman monitors company operations in dialogue with the CEO and is also responsible for ensuring that other Board Members receive the information and documentation required to enable a high standard of discussion and decision-making, and for monitoring the implementation of the Board's decisions. The Chairman is, furthermore, responsible for conducting an annual appraisal of the Board's work and for ensuring that the Nomination Committee is provided with the results of the appraisals. The Board of Directors has evaluated its work during the year by means of a questionnaire comprising approximately 50 questions in seven separate areas. The area receiving the highest rating was that of reporting and controls, whilst scope exists for an improved balance between the scope of Board material and meeting lengths. The results of the evaluation have been submitted to the Nomination Committee. The Chairman represents Medivir on ownership issues.

The work of the Board of Directors in 2015

The Board of Directors has held eleven minuted Meetings in 2015. The attendance of the individual Members of the Board at these Meetings is shown in the table on page 33. All of the Meetings during the year have followed an approved agenda which, together with the documentation for every item on the agenda, was supplied to the Members before the relevant Board Meeting. An ordinary Board Meeting usually lasts for half a day in order to ensure sufficient time for presentations and discussions. An appointed Attorney-at-Law has acted as Secretary at the majority of Board Meetings. The CEO and CFO participate in the majority of Board Meetings. Reviews of the current business position, the Group's results and financial position, and the outlook for the rest of the year are conducted at every ordinary Board Meeting. A member of the Group's management group will usually also review a relevant strategic issue. Reports on the work of the Committees are usually also presented at each Board Meeting by the Chairmen of the respective Committees.

The work of the Board during the year has largely focused on:

- Interim Reports, the Financial Statement, and the Annual Report.
- Development of the project and research portfolio.
- Strategy and business intelligence analysis.
- Financial development, optimisation of the Group's capital structure.
- Collaborations and partnerships.

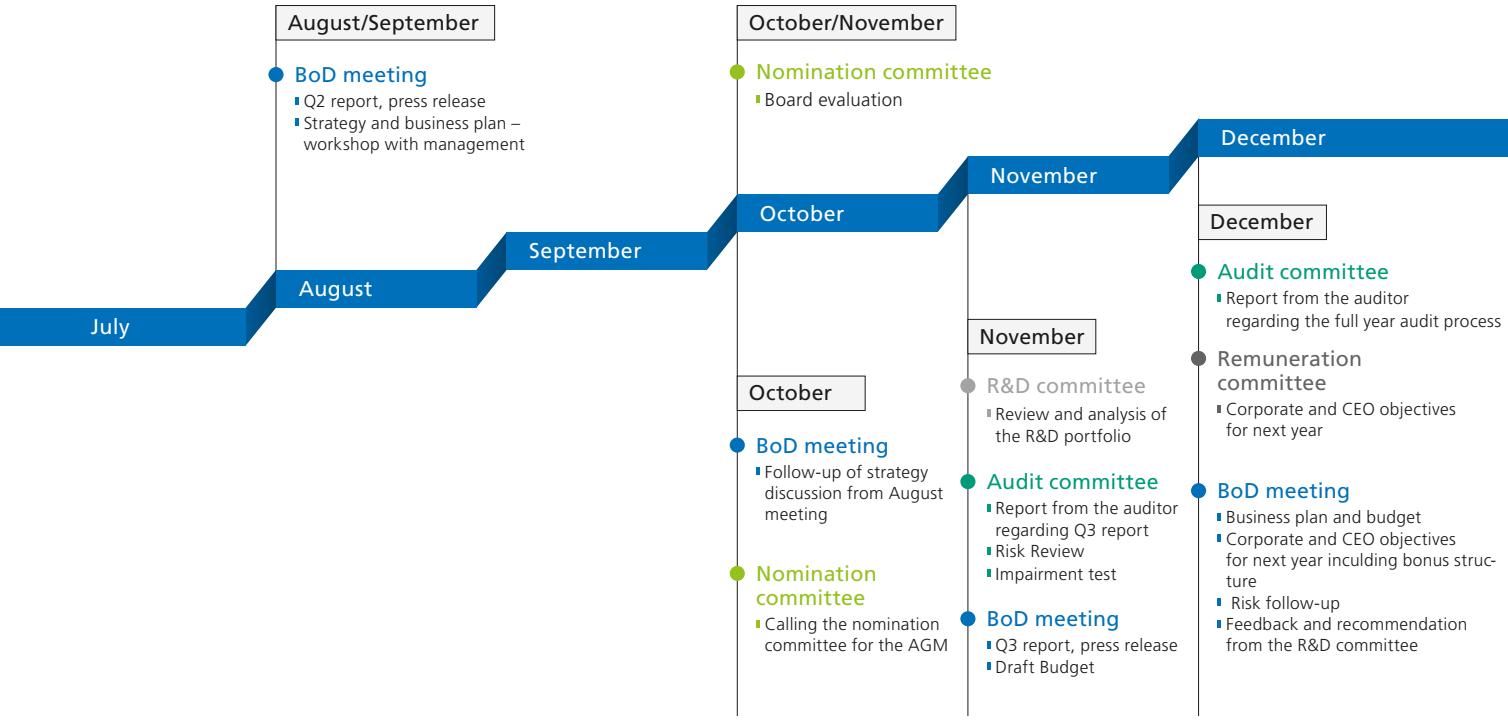
Board Committees

There are three consultative committees within the Board of Directors: the Remuneration Committee, the Audit Committee, and the R&D Committee.

The Remuneration Committee

The Committee advises the Board of Directors and has no independent right of decision.

The primary duty of the Remuneration Committee is to represent the Board of Directors on issues relating to remuneration and employment terms for the



CEO and senior executives who report directly to the CEO, based on remuneration and employment terms for the CEO and other senior executives adopted by the AGM. The Committee reports continuously on its work to the Board of Directors.

The Remuneration Committee has held five minuted meetings in 2015. The attendance of individual Board Members is shown in the table on page 33. The Committee has also held a number of consultations by telephone and email.

The Committee has largely focused on:

- Reviews of proposals regarding salaries and remuneration for the CEO and other senior executives.
- Reviews of proposals for a programme for short-term performance-related pay.
- Review of the results of existing long-term incentive plans.
- Evaluation of existing long-term incentive plans by means of a survey addressed to all employees.

The Audit Committee

The members are independent and have audit competence. The Committee advises the Board of Directors and has no independent right of decision.

The primary duty of the Audit Committee is to support the Board of Directors in its work with Medivir's risk management, governance and internal control, and to quality assure the financial reporting. The Committee considers significant auditing issues that affect the Group and meets on an ongoing basis with Medivir's auditors and evaluates the audit process. The Committee also assists the Nomination Committee in the production of proposals for auditors and the fees payable to auditors, and approves the supplementary services that the company may purchase from its external auditors.

The Chairman of the Audit Committee is responsible for ensuring that the entire Board of Directors is kept continuously informed of the work of the Committee and, when necessary, submits matters to the Board for decision.

The Audit Committee has held four minuted meetings in 2015. The attendance of the respective Board Members is shown in the table on page 33. The CFO has attended all meetings. The Committee has largely focused on:

- The scope and accuracy of the year-end financial statement.
- Reviews of the company's risk management, governance and internal controls.
- Significant audit issues.
- Reviews of reports from the company's Auditor elected by the Annual General Meeting, including the Auditor's audit plan.

The R&D Committee

The Committee is an advisory one and has no independent right of decision.

The primary duties of the R&D Committee are to review and evaluate the R&D portfolio and to provide the Board with supporting data ahead of decisions on strategic assessments and resource allocation within R&D. The R&D Committee also has an advisory role in relation to the company management with regard to specific scientific matters.

The R&D Committee has held two minuted meetings in 2015, each of which lasted two days. A number of physical, non-minuted working meetings and telephone conferences have also been held during the year. The attendance of the respective Board Members is shown in the table on page 33.

The Group management

The Board appoints the CEO and, where necessary, the Deputy CEO. The CEO leads the work of the Group management and is, together with the Group management, responsible for ensuring that the operating activities are conducted in accordance with the provisions of the Swedish Companies Act, other legislation and regulations, applicable regulations for listed companies, the Articles of Association, and the CEO's Instructions. The Group management has a broad composition of individuals with in-depth and extensive experience of research and development, the marketing and sale of pharmaceuticals, and the requisite expertise in accounting, finance and communication. For a presentation of the Group management, see pages 42–43. The role of the Group management is to:

- Set goals, allocate resources, and follow up on the operating units' results.
- Produce information and documentation as support data that enables the Board to take well-founded decisions.

Remuneration to senior executives (SEK k)

Function	Year	Fixed salary	Performance-related pay	Benefits	Severance pay	Total	Pension	Total, incl pension
CEO, Niklas Prager[1]	**2015**	**3 600**	**1 194**	**153**	**0**	**4 947**	**813**	**5 760**
	2014	1 279	580	3	0	1 862	298	2 160
CEO, Maris Hartmanis[2]	2014	2 496	0	88	4 646	7 230	826	8 056
Other senior executives[3–6]	**2015**	**9 374**	**1 703**	**304**	**853**	**12 234**	**1 628**	**13 862**
	2014	10 811	2 394	506	5 459	19 170	2 193	21 363
Total	**2015**	**12 974**	**2 897**	**457**	**853**	**17 181**	**2 441**	**19 622**
	2014	14 586	2 974	597	10 105	28 262	3 317	31 579

[1] Niklas Prager took over as President & CEO on 1 September 2014, succeeding Maris Hartmanis.
[2] Severance pay refers to remuneration paid in conjunction with contractual departure from the Group, see Note 5. Severance pay totalling SEK 3,098 k has been disbursed to Maris Hartmanis in 2015 and is carried as an expense in 2014.
[3] The management group, including the CEO, comprised eight persons at the beginning of 2015 and six persons at the end of the year.
[4] At the 2015 year-end, the booked remuneration to be disbursed to other senior executives in 2016 totalled SEK 2,329 k.
[5] Remuneration totalling SEK 8,325 k that was carried as an expense in 2014 has been disbursed to other senior executives in 2015.
[6] At the 2015 year-end, the booked remuneration from 2014 to be disbursed to other senior executives in 2016 totalled SEK 1,448 k.

› Implement the strategy adopted by the Board for the entire organisation on the basis of the annual strategic work. Following up on established goals is a key tool in the management of our operational work.

Guidelines for remuneration to senior executives

Remuneration principles for senior executives of Medivir are determined by the AGM. The guidelines for remuneration to senior executives broadly conform to the principles applied in the past. Senior executives, in this context, refers to the CEO and other members of the Group management. The guidelines apply to contracts of employment entered into after the adoption of the guidelines by the AGM or amendments to existing contracts made after the adoption of the guidelines. Medivir shall offer a competitive total compensation package that enables the recruitment and retention of qualified senior executives. Remuneration payable to the senior executives may comprise a fixed salary, performance-based pay, AGM-approved incentive plans, pensions and other benefits. The fixed salary shall take into account the individual's areas of responsibility and experience. Performance-based pay, as a cash bonus, may comprise a maximum of 50 per cent of the annual fixed salary. Performance-based pay shall be linked to predetermined and quantifiable criteria formulated in order to promote the company's long-term value creation. Variations to the remuneration principles are permissible if warranted by local conditions. For additional information, see Note 5 on page 59–61.

Evaluation of principles for remuneration to senior executives

Medivir has complied, in 2015, with the remuneration principles for senior executives approved by the AGM.

The principles proposed to the 2016 Annual General Meeting have been expanded to also include the option for senior executives to invest part of their performance-related pay in Medivir shares. See the Medivir web, medivir.com for the Board's full proposal to the 2016 AGM.

Long-term incentive plans

The purpose of long-term incentive plans is to generate the conditions for retaining and recruiting competent personnel to the Group and to offer employees an attractive opportunity to acquire a stake in the company, so as to encourage continued company loyalty by combining the interests of the shareholders and the employees. The 2013 and 2014 AGM´s accordingly each approved a three-year share saving plan, LTI 2013 and LTI 2014. Medivir believes that the plans will have a positive effect on the Group's further development and that LTI 2013 and LTI 2014 are, therefore, to the benefit of both the shareholders and the company. The Board withdrew its proposal for the approval of a renewal of a long-term incentive plan ahead of the 2015 AGM as it was deemed not to comply with international institutional guidelines.

The Board has conducted an evaluation of the existing plans. The goal of the evaluation was to determine whether the plans have fulfilled their stated objectives, have transparent goals and also include reviews of the results and costs of the outstanding plans.

Election of Auditors

The duties of the Nomination Committee include proposing an auditor to the AGM

PricewaterhouseCoopers AB (PwC) was appointed as the company's external auditors for a one-year period up to and including the 2016 AGM. Authorised Public Accountant, Hans Jönsson, is the Auditor-in-Charge for Medivir.

› The auditors work to an audit plan and report their observations on a rolling basis to the Audit Committee and the Board, both during the course of the audit and in conjunction with the preparation of the annual accounts.
› The auditors review one interim report and the annual financial statement in order to assess their accuracy, completeness and the correspondence of the accounts with generally accepted accounting practice and relevant accounting principles.
› The Auditor-in-Change attends the AGM at which he or she presents details of the audit work and observations made.

When additional services are requested from PwC over and above the audit engagement, such as consultancy on tax issues and on a range of different accounting and financial issues, such services are provided, subject to the approval of the Audit Committee.

Auditors' fees

Fees for auditing Medivir's accounts are determined by the AGM in line with proposals by the Nomination Committee. Auditors' fees in 2015 and 2014 are shown in the table.

Auditors' fees (SEK k)

	2015	2014
PwC		
Audit engagement	1,176	1,294
Auditing services over and above the audit engagement	394	454
Tax advice	492	457
Other services	17	516
Subtotal	**2,080**	**2,721**
EY		
Audit engagement	34	33
Auditing services over and above the audit engagement	0	0
Other services	0	100
Subtotal	**34**	**133**
Total	**2,113**	**2,854**

Board of Directors' internal controls report

Internal control
The following presentation comprises the Board of Directors' report on Internal Controls. The purpose of internal controls is to shed light on Medivir's systems for monitoring and controlling operational risks in relation both to strategy and operational practice and to compliance with legislative and regulatory requirements. It shall also provide reasonable assurance of the reliability of the external financial reporting. The internal controls include, amongst other things, a control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment
Medivir's internal control structure is based on the division of labour between the Board of Directors and its Committees, the CEO and other members of the management team. Medivir is also subject to the guidelines and regulations issued by the Swedish Medical Products Agency with regard to research and trials of potential new pharmaceutical products and to the commercial management and distribution of approved pharmaceuticals in the Nordic markets.

Medivir's control environment is based on:
- Steering documents, such as the Board's Rules of Procedure and the CEO's Instructions, quality systems, policies and guidelines.
- Medivir's Core values and the Code of Conduct.
- The company's organisation and the way in which it conducts its operations, with clearly defined roles and areas of responsibility, and delegation of authority.
- The company's quality process and its guidelines, which ensures compliance with the permits issued by the Swedish Medical Products Agency.
- Group-wide planning processes, such as the process for appraisal of the R&D portfolio, the budget process, and performance reviews.

The internal control environment comprises, in addition to external laws and regulations, policies and guidelines. These internal steering documents are updated regularly in line with changes in both internal and external requirements. The internal steering documents include:
- The Articles of Association
- The Board of Directors' Rules of Procedure and the written instructions for the CEO
- Guidelines for remuneration to senior executives
- Quality manual
- Finance policy
- Information policy
- IT policy
- Accounting and HR manuals
- Code of Conduct
- Environmental policy

Operational and financial reports are drawn up on a monthly and quarterly basis for the Group, the Parent company, the subsidiary companies, operating units and projects. The process includes specific controls that shall be carried out in order to ensure that the reports are of a high quality.

Risk assessment
An effective risk assessment reconciles Medivir's business opportunities and results with the requirements of shareholders and other stakeholders for stable, long-term value growth and control. Medivir continuously updates its risk analysis with regard to the assessment of risks. The risk work is reported annually to the management group, the Audit Committee and the Board of Directors. Medivir is exposed to the following main risk categories:
- Strategic risks and external risks – such as regulatory approval, competition, price changes and patent protection.
- Operating risks – such as partnerships, uncertainty in the context of research projects, disruptions to production, data security and reliance on key persons and partnerships.
- Financial risks – such as liquidity, interest, currency and credit risks.

Medivir's risk assessment is designed to identify and evaluate the most significant risks and to ensure that there are sufficient control points in place during the processes to manage these risks. Policies and guidelines are important steering tools. For a more detailed presentation of risk exposure and the way in which Medivir handles it, see pages 27–29.

Control activities
Routines and activities have been structured to handle and action significant risks. The activities include half-yearly reviews of the research portfolio, internal audits of the quality manual and of compliance with documented routines for handling pharmaceuticals, reviews of significant suppliers, and monitoring and following up of financial analyses and key ratios.

Information and communication

Medivir has information and communication pathways that are designed to promote the completeness and accuracy of the external communication. The Board of Directors approves the consolidated annual accounts and the year-end financial statement, and tasks the CEO with presenting quarterly reports in accordance with the Board's Rules of Procedure. All financial reports are published in accordance with applicable regulations. External information is communicated by means of, amongst other things, Medivir's website (www.medivir.se), where quarterly reports, year-end financial statements, annual reports, press releases and news are published.

The Board of Directors and management receive ongoing reports on the Group's position, profit performance, and operational development in terms of the status both of research projects and other business-critical areas. The most important communication channels within the company include the intranet, where quality systems, policies, guidelines and information are published, and regular information meetings for all members of staff.

Monitoring

The Board of Directors reviews all operating areas and all financial reporting.

The Board's monitoring of the internal controls is primarily conducted through the Audit Committee, the R&D Committee and the Remuneration Committee. The internal quality department is tasked with ensuring that Medivir complies with and implements new rules and regulations regarding the handling of pharmaceuticals and that Medivir complies with the licences issued to the company. Medivir's auditors carry out reviews of the operations in accordance with a set audit plan and follow up on selected aspects of the internal controls annually within the framework of the statutory audit. Once an audit is completed, observations are reported back to the Audit Committee on a rolling basis. The auditors also attend one Board meeting per year and report their observations made during the audit for the year and the operational routines. The practice on these occasions is to set time aside for specific discussions not attended by the CEO or other employees.

The Board of Directors

Birgitta Stymne Göransson

Born: 1957. **Title**: Chairman of the Board. Member of the Board since 2013, Chairman of Medivir's Remuneration Committee, and a member of the R&D Committee.

Education: MBA from Harvard Business School and a B.Sc. in Engineering, specialising in biotechnology, from the Royal Institute of Technology in Stockholm.

Background: CEO of Memira from 2010 to 2013, CEO of Semantix from 2006 to 2010, Deputy CEO of Telefosgruppen from 2001 to 2006, CFO of Åhléns from 1995 to 1999. Formerly a management consultant at McKinsey and an employee of Gambro.

Other directorships: Chairman of the Board of HL Display AB and Member of the Boards of Elekta AB, BioInvent International AB, Rhenman & Partners Asset Management AB, Midsona AB, and Advania HF.

Shares in Medivir: 2,000 class B shares.


Birgitta Stymne Göransson

Anders Ekblom

Born: 1954. **Title**: Member of the Board since 2014. Member of the R&D Committee and the Audit Committee.

Education: Doctor of Medicine and Associate Professor in physiology at the Karolinska Institute.

Background: Physician (specialising in anaesthesia and intensive care), dentist.

Other directorships: Chairman of the Boards of the Karolinska University Hospital and TFS International AB, Member of the Boards of the Swedish Research Council, SwedenBio, AnaMar AB, Infant Bacterial Therapeutics AB, Mereo Biopharma Ltd, RSPR Pharma AB, and Viscogel AB, and a senior advisor to Phase4 Partners, UK.

Shares in Medivir: 1,792 class B shares.


Anders Ekblom

Anders R Hallberg

Born: 1945. **Title**: Member of the Board since 2012. Chairman of the R&D Committee.

Education: Professor of Medicinal Chemistry at Uppsala University's Faculty of Pharmacy.

Background: Held a number of positions as a scientific advisor at Astra Zeneca and smaller pharmaceutical companies between 1990 and 2006. Prior to this, he was the Head of the Medicinal Chemistry Department at Astra in Lund. Vice-Chancellor of Uppsala University between 2006 and 2011. He has published over 270 scientific articles, a large number of which are on the subject of pharmaceuticals for the treatment of infectious diseases, and co-inventor of a large number of granted patents. Member of the Royal Swedish Academy of Sciences, and the Royal Swedish Academy of Engineering Sciences. Awarded honorary doctorates in Sweden and other countries.

Other directorships: Member of the Boards of foundations and universities.

Independent: Independent in relation to the company's major shareholders, but not independent in relation to the company and the company management.

Shares in Medivir: 1,372 class B shares.


Anders R Hallberg

Johan Harmenberg

Born: 1954**. Title**: Member of the Board since 2015. Member of the R&D Committee.

Education: Physician, Doctor of Medicine and Associate Professor in Virology at the Karolinska Institute. Scientific studies at MIT in Cambridge, USA.

Background: Previously worked as a researcher, Medical Director and Research Director at, amongst others, Roche, Astra, Pharmacia & Upjohn, Medivir and Algeta ASA. Former CEO of Axelar AB, Akinion AB and OncoReg AB and a former Member of the Board of Light-up AB and Oxypharma AB. He has published over 100 scientific articles and abstracts, the majority of which have been on the subject of pharmaceuticals and pharmaceutical development for the treatment of cancer and infectious diseases. He also runs a small real estate business. He is currently the Chief Medical Officer of Glionova AB and Oncopeptides AB.

Other directorships: Member of the Boards of small, wholly-owned real estate companies.

Shares in Medivir: 3,000 class B shares.


Johan Harmenberg

Helena Levander

Born: 1957. **Title**: Member of the Board since 2015. Member of the Remuneration Committee and the Audit Committee.

Education: B.Sc. in Economics and Business Administration from the Stockholm School of Economics.

Background: Extensive experience of the financial and equity markets and of corporate governance issues. Previous employed by Neonet, Odin Förvaltning, Nordea Asset Management and SEB Asset Management, amongst others.

Other directorships: Founder and now Chairman of the Board of Nordic Investor Services AB. Member of the Boards of Concordia Maritime AB, Hans Andersson Recycling AB, NeuroVive Pharmaceutical AB, Collector AB and Stampen AB.

Shares in Medivir: 7,000 class B shares.


Helena Levander


Anna Malm Bernsten

Anna Malm Bernsten

Born: 1961. **Title:** Member of the Board since 2006. Chairman of the Audit Committee.

Education: M.Sc. in Engineering.

Background: M.Sc. in Engineering with an extensive knowledge of the life sciences sector. Runs own consultancy firm operating in the fields of leadership strategy and business development. Experience of senior positions with, amongst others, GE Healthcare Life Sciences, Pharmacia, Assa Abloy, Medivir and Baxter Medical. Former President & CEO of Carmeda AB.

Other directorships: Chairman of the Boards of CEBA AB and Oatly AB. Member of the Boards of Arcam, Cellavision, Neurovive, Pågengruppen and Björn Axén. Former Member of the Board of BioPhausia AB.

Shares in Medivir: 1,634 class B shares.


Bertil Samuelsson

Bertil Samuelsson

Born: 1950. **Title:** Member of the Board since 2014 and member of the R&D Committee.

Education: Ph.D., Associate Professor, and, since 1985, an Untenured Professor at Stockholm University.

Background: Chief Scientific Officer and Head of Research & Development at Medivir between 1999 and 2010. Subsequently, Chief Scientific Advisor for Medivir. Former Head of the Pharmaceutical Chemistry Department at AstraZeneca from 1987. Has held seats on the Boards of ACTAR, NovaSaid and the Toscana Life Sciences Foundation, and the Swedish Pharmaceutical Society. Has acted as an advisor to AstraZeneca R&D Bangalore. He has published over 170 scientific articles, including a large number in the area of infectious diseases, and is the co-inventor of approximately 40 patent applications, the majority of which have been granted.

Other directorships: No other directorships

Independent: Independent in relation to the company's major shareholders, but not independent in relation to the company and the company management.

Shares in Medivir: 2,703 class B shares.


Susana Ayesa Alvarez

Employee representatives

Susana Ayesa Alvarez

Born: 1970. **Title**: Member of the Board, appointed by the Unionen trade union, since 2013. Participant in the work of the R&D Committee since 2014.

Background: Ph.D. in Organic Chemistry from Stockholm University and M.Sc. in Chemistry from the University of Zaragoza, Spain. Extensive experience of the pharmaceutical industry. Employed since 2000 as a Senior Research Scientist and team leader in the Chemistry Department. Previously employed as a chemical engineer at Pharmacia & Upjohn (1993–2000). She has published several scientific articles and is the co-inventor of 14 patent applications, 8 of which have been granted. Holds a seat on the Board of ACES-SFFS (the Society of Spanish Researchers in Sweden non-profit organisation).

Shares in Medivir: 1,775 class B shares.


Veronica Werlinder

Veronica Werlinder

Born: 1966. **Title**: Member of the Board, appointed by the Akademikerklubben trade union, since 2015.

Background: Ph.Lic. from the Karolinska Institute. Employed in 2008 as a Senior Research Scientist, DMPK & Bioanalysis. Previous positions include those of Senior Research Scientist at AstraZeneca, Scientific Writer at Sidec, and Information Scientist at AstraZeneca.

Shares in Medivir: 287 class B shares.

Pia Appelqvist (Deputy Member of the Board)

Born: 1972. **Title**: Deputy Member of the Board, appointed by the Akademikerklubben trade union, since 2015.

Background: Ph.D. in Chemistry from Lund University, 2002. Post-Doc, Institute for Molecular Bioscience, University of Queensland, Australia 2002–2003. Employed in 2004 as a Senior Research Scientist in the Chemistry Department. She has 17 publications and 14 patents.

Shares in Medivir: 663 class B shares.

Stina Lundgren (Deputy Member of the Board)

Born: 1979. **Title**: Deputy Member of the Board, appointed by the Unionen trade union, since 2013.

Background: Ph.D. in Chemistry from KTH Royal Institute of Technology. Employed in 2008 as a Senior Research Scientist and team leader in the Chemistry Department.

Shares in Medivir: 378 class B shares.

Management

Richard Bethell


Richard Bethell

Born: 1963. **Title**: Executive Vice President Research & Development.

Education: Doctor of Philosophy (D. Phil.) in chemistry from Oxford University.

Employed: 2013.

Background: Former head of Biological Sciences at Boehringer Ingelheim (Canada) Ltd., Head of Therapeutic Research at Shire and various positions at Pfizer and GlaxoSmithKline in the field of development and research.

Shares in Medivir: 2,281 class B shares.

Ola Burmark


Ola Burmark

Born: 1969. **Title:** Chief Financial Officer.

Education: B.Sc. in Finance and Business Administration.

Employed: 2015.

Background: Former CFO at OneMed AB and Aditro Holding AB, SVP Finance and M&A at Thule Group AB and Cell Network, Cash Manager at SCA Finans, and auditor at Ernst & Young.

Shares in Medivir: 7,000 class B shares.

Åsa Holmgren


Åsa Holmgren

Born: 1965. **Title:** Executive Vice President Strategic Regulatory Affairs.

Education: M. Sc. in Pharmacy, trained at Uppsala University.

Employed: 2015.

Background: Former Head of Regulatory Affairs at Orexo AB. Extensive experience from a number of large pharmaceutical companies, including 12 years as Senior Global Regulatory Affairs Director at AstraZeneca, and, in particular, international, strategic duties within Regulatory Affairs. Åsa has also worked for AstraZeneca in Canada and Japan.

Shares in Medivir: 0.


Henrik Krook

Henrik Krook

Born: 1973. **Title:** Executive Vice President Commercial.

Education: Executive MBA from the Stockholm School of Economics, M. Sc. in Pharmacy and PhD in immunology from Uppsala University.

Employed: 2013.

Background: Over 10 years' experience in various commercial senior management positions at Roche and Novartis in addition to research project leadership at Uppsala University Hospital.

Shares in Medivir: 1,757 class B shares.


Christine Lind

Christine Lind

Born: 1974. **Title:** Executive Vice President Strategic Business Development.

Education: B. Sc. Finance and Information Systems from New York University and Masters in Business Administration from Columbia Business School.

Employed: 2015.

Background: Previously Vice President, Business Development at LifeCell Corporation and 12 years of investment banking experience in biotech and pharma advisory and capital raising at Merrill Lynch & Co. and Gerard Klauer Mattison & Co.

Shares in Medivir: 2,000 class B shares.


Niklas Prager

Niklas Prager

Born: 1970. **Title:** President and CEO.

Education: MBA from the Stockholm School of Economics.

Employed: 2014.

Background: Niklas has many years' experience of senior executive positions in trade and industry. He has worked, both in Sweden and the USA, for Merck & Co. Inc. and has been the CEO of Pfizer AB, Qbtech AB and Envirotainer AB.

Shares in Medivir: 35,685 class B shares, including 33,600 as part of an insurance solution.

Income statements

		THE GROUP		PARENT COMPANY	
SEK k	**NOTE**	**2015**	**2014**	**2015**	**2014**
Net sales	1	657,889	1,766,989	500,774	1,646,407
Cost of goods sold		–109,283	–174,018	–57,815	–128,484
Gross profit		**548,606**	**1,592,971**	**442,958**	**1,517,924**
Selling expenses		–98,356	–103,578	–57,822	–62,208
Administrative expenses		–60,327	–62,518	–53,715	–54,313
Research and development costs		–278,375	–245,754	–257,815	–227,708
Other operating income		17,620	15,223	23,102	14,286
Other operating expenses		–14,403	–7,612	–13,285	–6,864
Operating profit/loss	2, 3, 4, 5, 6	**114,765**	**1,188,731**	**83,424**	**1,181,116**
Profit/loss from participations in Group companies	7	0	0	–23,457	–51,371
Other interest income and similar profit/loss items	8, 9	–2,046	6,558	–3,605	4,057
Interest expenses and similar profit/loss items	8,10	–10,765	–2,588	–5,200	–1,543
Profit/loss after financial items		**101,954**	**1,192,701**	**51,162**	**1,132,259**
Appropriations		0	0	–37,921	–181,000
Tax	11	–26,864	–59,966	–9,837	–8,820
Net profit/loss for the year		**75,090**	**1,132,735**	**3,404**	**942,439**
Net profit/loss attributable to:					
Parent Company shareholders		75,090	1,132,735	3,404	942,439
Basic and diluted earnings per share:	12				
Basic earnings per share, SEK		2.59	36.24	–	–
Diluted earnings per share, SEK		2.56	35.90	–	–
Average number of shares, ’000		29,048	31,260	–	–
Number of shares at year-end, ’000		26,836	31,260	–	–
Proposed dividend per share, SEK		0	0	–	–

– = not applicable

Statement of comprehensive income

	THE GROUP		PARENT COMPANY	
SEK k	**2015**	**2014**	**2015**	**2014**
Net profit/loss for the year	**75,090**	**1,132,735**	**3,404**	**942,439**
Other comprehensive income				
Items that may be recycled to the profit/loss				
Exchange rate differences	2,230	–5,412	–	–
Other comprehensive income for the period, net after tax	**77,320**	**1,127,323**	**3,404**	**942,439**
Total comprehensive income for the period	**77,320**	**1,127,323**	**3,404**	**942,439**

– = not applicable

Balance sheets

SEK k	NOTE	THE GROUP 2015 31 dec	THE GROUP 2014 31 dec	PARENT COMPANY 2015 31 dec	PARENT COMPANY 2014 31 dec
ASSETS					
Fixed assets					
Intangible fixed assets					
Capitalised expenditure for research and development work		8,747	9,192	8,747	9,192
Product rights		233,602	256,106	3,134	3,514
Goodwill		150,420	150,420	–	–
Other intangible assets		5,253	1,859	5,253	1,859
Total intangible fixed assets	13	**398,022**	**417,577**	**17,134**	**14,564**
Tangible fixed assets					
Buildings and land		870	1,087	870	1,087
Equipment, tools, fixtures and fittings		25,413	25,788	25,189	25,468
Total tangible fixed assets	14	**26,283**	**26,875**	**26,059**	**26,555**
Financial fixed assets					
Participations in Group companies	15	–	–	604,212	604,212
Financial assets held for sale	8, 16	0	0	0	0
Other long-term receivables	8, 17	0	2,500	0	0
Total financial fixed assets		**0**	**2,500**	**604,212**	**604,212**
Total fixed assets		**424,305**	**446,952**	**647,405**	**645,331**
Current assets					
Inventories	18	**18,696**	**23,609**	**2,307**	**3,608**
Current receivables					
Accounts receivable	8	23,888	70,159	16,900	47,854
Receivables from Group companies		–	–	24,260	7,284
Tax receivables		17,778	5,694	17,695	5,615
Other receivables	8	8,661	9,478	3,639	1,707
Prepaid expenses and accrued income	19	44,985	232,378	42,072	229,732
Total curent receivables		**95,312**	**317,708**	**104,566**	**292,193**
Short-term investments					
Other short-term investments	8, 20	860,416	1,309,583	860,416	1,309,583
Cash and bank balances	8, 20	217,525	86,038	80,924	43,329
Total short-term investments		**1,077,942**	**1,395,621**	**941,341**	**1,352,911**
Total current assets		**1,191,950**	**1,736,938**	**1,048,213**	**1,648,713**
TOTAL ASSETS		**1,616,255**	**2,183,890**	**1,695,618**	**2,294,044**

– = not applicable

Balance sheets

SEK k	NOTE	THE GROUP 2015 31 dec	THE GROUP 2014 31 dec	PARENT COMPANY 2015 31 dec	PARENT COMPANY 2014 31 dec
EQUITY AND LIABILITIES					
Equity, the Medivir Group					
Share capital		157,159	156,300	–	–
Other capital contributed		1,152,185	1,761,747	–	–
Exchange rate difference		–1,812	–4,042	–	–
Accumulated loss		142,577	68,599	–	–
Total equity, the Medivir Group		**1,450,109**	**1,982,604**	**–**	**–**
Equity, Medivir AB					
Restricted equity					
Share capital		–	–	157,159	156,300
Statutory reserve		–	–	0	827,971
Total restricted equity		**–**	**–**	**157,159**	**984,271**
Non-restricted equity					
Share premium reserve		–	–	1,333,532	1,104,654
Accumulated loss		–	–	–171,898	–1,102,805
Net profit/loss for the year		–	–	3,404	942,439
Total non-restricted equity		**–**	**–**	**1,165,038**	**944,287**
Total equity, Medivir AB		**–**	**–**	**1,322,197**	**1,928,558**
Untaxed reserves					
Untaxed reserves	24	–	–	37,921	0
Total untaxed reserves		**–**	**–**	**37,921**	**0**
Provisions					
Deferred tax liability	11	–	–	351	468
Total provisions		–	–	**351**	**468**
Long-term liabilities					
Deferred tax liability	11	351	468	0	0
Total long-term liabilities		**351**	**468**	**0**	**0**
Total provisions and long-term liabilities		**351**	**468**	**351**	**468**
Liabilities to credit institutions	8, 21	0	40,000	0	40,000
Accounts payable	8	37,053	40,755	28,883	29,891
Liabilities to Group companies		–	–	214,863	197,810
Deferred tax liability	11	30,422	9,707	–	–
Other liabilities		31,611	26,017	29,092	22,747
Accrued expenses and deferred income	22	66,709	84,339	62,311	74,570
Total current liabilities		**165,795**	**200,818**	**335,149**	**365,018**
Total equity and liabilities		**1,616,255**	**2,183,890**	**1,695,618**	**2,294,044**
Pledged assets	23	54,250	54,250	0	0
Contingent liabilities	6	0	0	0	0

– = not applicable

Changes in equity

The Group, SEK k	Share capital	Other capital contributed	Exchange rate difference	Accumulated loss	Total equity	Number of shares
Opening balance, 1 January 2014	**156,300**	**1,759,059**	**1,369**	**–1,064,135**	**852,593**	**31,260,027[1)]**
Net profit/loss for the year	–	–	–	1,132,735	1,132,735	–
Exchange rate differences	–	–	–5,412	–	–5,412	–
Total comprehensive income for the period	**–**	**–**	**–5,412**	**1,132,735**	**1,127,323**	**–**
Conversion of options	–	–	–	–	–	–
Employee stock option programme: value of employees' service	–	2,688	–	–	2,688	–
Closing balance, 31 December 2014	**156,300**	**1,761,747**	**–4,043**	**68,600**	**1,982,604**	**31,260,027[2)]**
Opening balance, 1 January 2015	**156,300**	**1,761,747**	**–4,043**	**68,600**	**1,982,604**	**31,260,027[3)]**
Net profit/loss for the year	–	–	–	75,090	75,090	–
Exchange rate differences	–	–	2,230	–	2,230	–
Total comprehensive income for the period	**–**	**–**	**2,230**	**75,090**	**77,320**	
Conversion of options						
Share saving plan: value of employees' service	–	2,925	–	–	2,925	–
Redemption plan	–21,470	–579,689	–	–	–601,159	–4,293,990
Bonus issue	22,329	–22,329	–	–	0	–
Transaction costs	–	–	–	–1,486	–1,486	–
Fiscal effect on transaction costs	–	–	–	324	324	–
Buy-back of own shares	–	–10,419	–		–10,419	–
Closing balance, 31 December 2015	**157,159**	**1,152,236**	**–1,813**	**142,528**	**1,450,109**	**26,966,037[4)]**

Parent Company, SEK k	Share capital	Statutory reserve	Share premium reserve	Accumulated loss	Net profit/ or the year	Total equity	Number of shares
Opening balance, 1 January 2014	**156,300**	**827,971**	**1,101,965**	**–1,201,603**	**98,799**	**983,432**	**31,260,027[1)]**
Appropriation of profits: Profit/loss for the previous year brought forward							
Net profit/loss for the year	–	–	–	98,799	–98,799	0	–
Employee stock option programme: value of employees' service, Medivir AB	–	–	–	–	942,439	942,439	–
Closing balance, 31 December 2014							
anställdas tjänstgöring, Medivir AB	–	–	2,688	–	–	2,688	–
Closing balance 31 December 2014	**156,300**	**827,971**	**1,104,653**	**–1,102,804**	**942,439**	**1,928,558**	**31,260,027[2)]**
Opening balance, 1 January 2015	**156,300**	**827,971**	**1,104,653**	**–1,102,804**	**942,439**	**1,928,558**	**31,260,027[3)]**
Appropriation of profits: Profit/loss for the previous year brought forward	–	–	–	942,439	–942,439	0	–
Net profit/loss for the year	–	–	–	–	3,404	3,404	–
Share saving plan: value of employees' service, Medivir AB	–	–	2,925	–	–	2,925	–
Transfer of statutory reserve in accordance with AGM resolution	–	–827,971	827,971	–	–	0	–
Redemption programme	–21,470	–	–579,689	–	–	–601,159	–4,293,990
Bonus issue	22,329	–	–22,329	–	–	0	–
Transaction costs	–	–	–	–1,426	–	–1,426	–
Fiscal effect on transaction costs	–	–	–	314	–	314	–
Buy-back of own shares	–	–	–	–10,419	–	–10,419	–
Closing balance, 31 December 2015	**157,159**	**0**	**1,333,531**	**–171,898**	**3,404**	**1,322,197**	**26,966,037[4)]**

[1)] Opening number of shares in 2014: 660,000 class A shares and 30,600,027 class B shares, nominal value: SEK 5
[2)] Closing number of shares in 2014: 660,000 class A shares and 30,600,027 class B shares, nominal value: SEK 5
[3)] Opening number of shares in 2015: 660,000 class A shares and 30,600,027 class B shares, nominal value: SEK 5
[4)] Closing number of shares in 2015: 606,358 class A shares and 26,359,679 class B shares, nominal value: SEK 6
– = not applicable

The nominal value has been calculated as the share capital divided by the total number of shares. Proposed dividend payment for 2015: SEK 0 per share.

Statements of cash flow

SEK k	NOTE	THE GROUP 2015 31 dec	THE GROUP 2014 31 dec	PARENT COMPANY 2015 31 dec	PARENT COMPANY 2014 31 dec
Operating activities					
Operating profit/loss		114,765	1,188,731	83,424	1,181,116
Adjustment for non-cash items					
Depreciation and amortisation		34,120	33,193	11,899	10,738
Write-downs		6,114	0	6,114	0
Other reversals [1]		–37,098	–202,872	–34,586	–205,929
		117,901	**1,019,053**	**66,851**	**985,925**
Interest received		76	365	319	489
Dividends received		1	102	1	102
Interest paid		–1,450	–1,555	–1,403	–1,543
Tax paid		–8,936	–1,472	–12,616	–2,970
Cash flow from operating activities before changes in working capital		**107,592**	**1,016,492**	**53,152**	**984,972**
Increase (–) /decrease(+) in inventories		4,913	374	1,301	–3,608
Increase (–) /decrease(+) in current receivables		261,708	–33,617	231,095	–20,074
Increase (+) /decrease(–) in current liabilities		–66,826	31,114	–64,028	–3,554
Cash flow from operating activities		**307,387**	**1,014,363**	**221,520**	**957,737**
Investing activities					
Purchase of intangible fixed assets		–10,047	–11,248	–10,047	–11,248
Purchase of tangible fixed assets		–10,040	–8,916	–10,040	–8,916
Sale of operations		5,045	2,501	0	0
Loans to subsidiary companies		0	0	0	35,000
Cash flow from investing activities		**–15,042**	**–17,662**	**–20,087**	**14,837**
Financing activities					
Redemption programme		–601,159	–	–601,159	–
Buy-back of own shares		–10,419	–	–10,419	–
Transaction costs in conjunction with redemption programme		0	–	–1,426	–
Cash flow from financing activities		**–611,578**	**–**	**–613,004**	**–**
Cash flow for the year		**–319,232**	**996,700**	**–411,571**	**972,573**
Cash and cash equivalents at the beginning of the year		1,395,621	402,220	1,352,911	380,338
Cash flow for the year		–319,232	996,700	–411,571	972,573
Exchange rate differences, cash and cash equivalents		1,553	–3,299	–	–
Cash and cash equivalents at the end of the year	20	**1,077,942**	**1,395,621**	**941,341**	**1,352,911**

[1] The item primarily comprises accrued royalty income totalling SEK –32 million (SEK –209 m)

– = not applicable

Accounting principles

The Group

Medivir prepares its Consolidated Accounts in accordance with IFRS, International Financial Reporting Standards, as endorsed by the EU. In addition to the stated IFRS, the Group also observes the Swedish Financial Reporting Board's recommendation, RFR 1 Supplementary Accounting Rules for Groups, and applicable pronouncements from the Swedish Financial Reporting Board.

The Group utilises the acquisition value for Balance Sheet item valuation, unless otherwise indicated.

IFRS are under constant development. A number of standards and interpretations were published during the preparation of the consolidated accounts as of 31 December 2015, only some of which have come into effect. An assessment of the impact that the introduction of these standards and statements has had, and may have, on Medivir's financial statements follows. Comments are restricted to those changes that have had, or could have, a significant effect on Medivir's accounting.

New and revised standards applied by the Group from 1 January 2015

None of the new or amended standards that have come into force and which apply to the 2015 financial year have had any impact on Medivir's consolidated accounts.

New and revised standards that have not come into force or been proactively applied by the Group

IFRS 9 "Financial instruments" addresses the classification, valuation and reporting of financial assets and liabilities. The full version of IFRS 9 was published in July 2014 and replaces those parts of IAS 39 that address the classification and valuation of financial instruments. IFRS 9 retains but simplifies, in certain respects, the model of several bases of valuation.

There will be three valuation categories for financial assets, namely amortised cost, fair value through other comprehensive income and fair value through profit or loss. The way in which an instrument shall be classified depends on the company's business model and the characteristics of the instrument. Investments in equity instruments shall be reported at fair value through profit or loss but there is also an option of reporting the instrument at fair value through other comprehensive income when an entity first applies IFRS 9. No reclassification to fair value through profit or loss will then occur in conjunction with the divestment of the instrument.

IFRS 9 also introduces a new model for calculating credit loss reserves based on expected credit losses. There is no change to the classification and valuation for financial liabilities, other than when a liability is reported at fair value through profit or loss based on the fair value alternative. Changes in value attributable to changes in the entity's own credit risk shall then be reported through other comprehensive income. IFRS 9 reduces the requirements for application of hedge accounting by replacing the 80-125 criteria with a requirement for an economic relationship between the hedging instrument and the object hedged and a requirement for the hedge ratio to be the same as that used in the risk management. There are also very few changes to hedging documentation relative to that generated under IAS 39. The standard shall be applied for financial years commencing on or after 1 January 2018. Proactive application is permitted. The Group has not, as yet, evaluated the effects of applying the standard and does not intend to apply it proactively.

IFRS 15 Revenue from Contracts with Customers regulates the way in which income is recognised. The principles upon which IFRS 15 is based are intended to provide users of financial reports with more usable information on the company's income. The augmented disclosure requirements mean that information shall be provided on income class, settlement date, uncertainties associated with income recognition, and cash flow attributable to the company's contracts with customers. Income shall, under IFRS 15, be recognised when the customer obtains control over the goods or services sold and has the ability to make use of and derive benefit from the goods or services.

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and associated SIC and IFRIC. IFRS 15 comes into force on 1 January 2018. Proactive application is permitted. The Group has not, as yet, evaluated the effects of applying the standard and does not intend to apply it proactively.

In January 2016, IASB published a new leasing standard, IFRS 16 Leases, which will replace IAS 17 Leases and the associated interpretations, IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities attributable to all leasing agreements, with a few exceptions, to be reported in the Balance Sheet. This approach to the reporting is based on the view that the lessee has a right to make use of an asset during a specific period of time and, at the same time, has an obligation to pay for this right. The reporting by the lessor will, in every significant respect, remain unchanged. The standard is applicable to financial years commencing 1 January 2019 or thereafter. Proactive application is permitted. The EU has not, as yet, adopted the standard. The Group has not, as yet, evaluated the effects of IFRS 16.

None of the other IFRS or IFRIC interpretations that have not, as yet, come into force, are expected to have any significant impact on the Group and its reported values.

The Parent Company

Medivir AB continues, as in previous years, to apply those accounting principles relevant to legal entities that prepare Consolidated Accounts and which are listed on a stock exchange. Medivir AB complies with the Swedish Financial Reporting Board's recommendation, RFR 2 Accounting principles for legal entities.

The Parent Company shall, in accordance with RFR 2,

structure its reports in accordance with all applicable IFRS unless the recommendation permits an exemption from application. The Parent Company's principles are consequently consistent with those of the Group, unless otherwise indicated below.

Consolidated Accounts

The Consolidated Accounts have been prepared using acquisition accounting, whereby the subsidiary company's equity at the time of acquisition is eliminated. The equity of the acquired subsidiary is measured on the acquisition date on the basis of the fair value of identifiable assets and liabilities assumed. The acquisition value consists of the fair value of assets sub- mitted as payment, issued equity instruments, and liabilities arising or assumed as of the transfer date.

In cases where the acquisition value of shares in the subsidiary exceeds the fair value of the assets and liabilities acquired, the difference is recognised as goodwill.

Costs directly attributable to the acquisition are reported in the Group under other operating expenses in the Income Statement as they arise. In the Parent Company, transaction costs are included in the acquisition value of equity in subsidiary companies.

Subsidiary companies comprise all companies over which the Group exercises a controlling influence. The Group controls a company when it is exposed to or entitled to a variable return from its holding in the company and has the ability to affect the return through the exercise of its influence over the company. Subsidiaries are consolidated from the day when controlling influence is transferred to the Group. They are deconsolidated from the date when the controlling influence ceases. For each acquisition, the Group determines whether potential non-controlling interests in the acquired company are recognised at fair value or at the holding's proportional share of the carrying amount of the acquired company's identifiable net assets.

The preparation of Medivir's Consolidated Accounts includes the elimination of intragroup receivables and liabilities and of intragroup income and expenses between Group companies and the Consolidated Income Statement and the Consolidated Balance Sheet are consequently reported without intragroup transactions.

Translation of foreign currencies

Functional currency and reporting currency

Items included in the financial statements for the various entities within the Group are valued in the currency used in the economic environment in which the respective company is primarily active (functional currency).

The Swedish krona, which is the Parent Company's functional currency and reporting currency, is the currency utilised in the Consolidated Accounts.

Transactions and Balance Sheet items

Transactions in foreign currencies are translated to the functional currency at exchange rates applicable on the transaction date or the date when the item is translated. Exchange rate profits and losses arising when paying for such transactions and when translating monetary assets and liabilities in foreign currencies at the closing day rate are reported in the Income Statement. Profits and losses on trading receivables and liabilities are reported net under other operating income or other operating expenses.

Group companies

The profit/loss and financial position of all Group companies whose functional currency differs from the reporting currency are translated to the Group's reporting currency (SEK) as follows:

- Assets and liabilities for each Balance Sheet item are translated at the closing day rate.
- Income and expenses for each Income Statement are translated at the average exchange rate. If the average exchange rate is not a reasonable estimate of the total exchange rate effects for the year from each transaction date, income and expenses are translated at the closing day rate instead.
- All exchange rate differences arising are reported under other comprehensive income and accumulated as a separate portion of the equity.

The Income Statement

Medivir applies a classification by function approach to the presentation of the Income Statement in accordance with the description in IAS 1 Presentation of Financial Statements. Costs in the Income Statement are broken down into Cost of goods sold, Marketing & Sales, Administration, and Research and development:

Cost of goods sold

Cost of goods sold comprises purchasing and manufacturing costs for goods sold during the period.

Marketing & Sales

This function is responsible for the commercialisation of research projects, product launches, and sales of pharmaceuticals on a proprietary basis and via partners.

Administration

This function comprises the company's administrative functions, such as company management, business development, IR, and the finance department.

Research and development

This function comprises Medivir's research and pharmaceutical development in preclinical and clinical trials, and regulatory activities.

Financial instruments, reporting, disclosure and classification

For information on financial risks and investments, see Note 8, Financial Risks, on pages 62-64.

Financial assets reported at fair value in the Income Statement

Medivir's short-term investments are managed as a group of financial assets and the profit or loss is evaluated on the basis of fair value in accordance with the documented risk management and investment strategy. Medivir has, therefore, chosen to report changes in the fair value of its short-term investments in the Income Statement.

Financial assets held for sale

Shareholdings in Medivir's licensing partners, Epiphany Biosciences and Presidio Pharmaceuticals Inc., have been classified as financial assets held for sale.

None of these shares are listed and are hence not registered on an active marketplace, and other non-observable data are consequently used as a valuation basis for the shares. An estimation of the value is carried out based on the companies' posted financial results and position, the development of the companies' project portfolios, the share price performance of the Nasdaq biotech index and, where relevant, independent valuations by third parties. If the valuation results in an estimated change in value, this change in value is reported in the statement of other comprehensive income for the period.

If a negative change in value is adjudged to be significant, or to have occurred over an extended period of time, the accumulated loss is reported in the profit or loss for the period. A subsequent positive revaluation of any such impairment is reported under other comprehensive income and not in the Income Statement.

Accounts receivable and other receivables

Accounts receivable comprise non-derivative financial assets with measured or measurable payments not listed on an active marketplace. They are distinguished by the fact that they arise when the Group supplies money, goods or services directly to a customer without any intention to trade in the receivable arising. They are included in current assets, with the exception of items with due dates that fall more than 12 months after the reporting date, which are classified as fixed assets. Accounts receivable are initially reported at fair value and then at amortised cost by applying the effective interest method, less potential provisioning for impairment. Other receivables and, where applicable, interim receivables, are reported in the same manner.

Provisioning for the impairment of accounts receivable is effected when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of such receivables. The amount of the provision comprises the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted by effective interest. The provisioned amount is reported in the Income Statement. Other receivables are reported in the same way.

Purchases and sales of financial instruments

Purchases and sales of financial instruments are reported on the transaction date – the date when Medivir undertakes to buy or sell the asset. Financial instruments are derecognised from the Balance Sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred essentially all risks and benefits associated with title to the asset.

Accounts payable and loan liabilities

Accounts payable and loan liabilities are classified in the other financial liabilities category and are reported initially at fair value and subsequently at amortised cost, applying the effective interest method.

Share-related incentive plans

Share saving plan

Payroll expenses in relation to share-related incentive plans are reported on the basis of a metric of the value to the company of the services rendered by the employees during the term of the plans. This value is based on the fair value of, for example, free shares on the vesting date, valued at the share price in conjunction with every investment. The value on the vesting date is carried as an expense in the Income Statement in the same way as all other salary earned during the vesting period. Example: the value on the vesting date is SEK 90. Given the normal vesting period of three years within the Group, SEK 30 is charged to the Income Statement per year during the vesting period. The amount carried as an expense in the Income Statement is also reported (credit) in shareholders' equity every time an item is carried as an expense in the Income Statement and the cost consequently has no direct effect on the cash flow. The cost in the Income Statement corresponds to an issue of equity instruments.

When remuneration costs for shares received through performance-based share saving plans are calculated, an assessment is made on every reporting date of the probability that the performance goals will be achieved. The costs are calculated on the basis of the number of shares which it is estimated will be matched by the end of the vesting period. When share matching occurs, social security contributions shall be paid for the value of the employee's benefit. This value is, in general, based on the market value on the matching date. Provision for these estimated social security contributions is made during the vesting period in accordance with the Swedish Financial Reporting Board's statement UFR 7.

Intangible fixed assets

Goodwill

Goodwill arises in conjunction with the acquisition of subsidiary companies and comprises the amount by which the acquisition value exceeds the fair value of the Group's share of the acquired company's net assets upon acquisition. Goodwill is subject to annual impairment testing and is reported at acquisition value less accumulated impairment losses. Impairment of goodwill is not reversed. Goodwill is allocated to the cash-generating units expected to benefit in conjunction with the business acquisition that gave rise to the goodwill item.

Trademarks and brands, product rights

Trademarks and brands, and product rights acquired separately are recognised at historical cost in the Group. Trademarks and brands, and product rights acquired through a business combination are recognised at fair value on the acquisition date. Trademarks and brands, and product rights have a defined useful life and are recognised at historical cost less accumulated impairment. Amortisation is effected linearly over the estimated useful life of 10–15 years.

Research & Development costs – in-house development

Pharmaceutical development expenses are capitalised in accordance with IAS 38 Intangible assets, when the following criteria are fulfilled:

- It is technically possible to complete the pharmaceutical.
- The company's management intends to complete the pharmaceutical and the conditions for sale are in place.
- The asset is expected to provide future economic benefits.
- Medivir adjudges that the resources required to complete the development of the asset are available.
- Developmental expenses can be reliably calculated.

Medivir's judgement of this principle with regard to ongoing development projects is presented on page 57 (Research & Development costs).

Development costs for the product are reported, as of the date when the above criteria are fulfilled, as intangible fixed assets at historical cost. Expenses arising before this date will continue to be reported as costs. Historical costs include direct costs for the completion of the pharmaceutical, including patents, registration application costs, and product tests including remuneration to employees. Amortisation is conducted linearly in order to distribute the development costs on the basis of the estimated useful life. Amortisation begins when the pharmaceutical begins to generate income. Useful life is based on the underlying patent term.

The amortisation term for capitalised development costs for Xerclear is 10 years and consequently exceeds the 5 years which, under the provisions of the Swedish Annual Accounts Act, should be the Parent Company's amortisation period under normal circumstances. The longer amortisation is due to the fact that Xerclear is expected to generate income throughout its patent term.

Medivir's other research and development costs are reported as they arise as costs for patent and technology rights, and other similar assets, developed in-house. Against the background of the contents of the "Research and development costs" section on page 57, other research work performed by Medivir is judged to be associated with such uncertainty that IAS 38's capitalisation criteria cannot be considered satisfied, primarily because of the difficulties in judging whether it is technically possible to complete the pharmaceutical.

Development projects acquired

Amortisation of intangible assets acquired, e.g. customer relationships or trademarks and brands, is effected linearly over the useful life. Amortisation of other intangible assets acquired, such as development projects, is effected linearly over the useful life – linked to the term of patents obtained.

Other intangible fixed assets

Expenses incurred in connection with the development of Medivir's ERP systems such that the software's performance is improved or its useful life extended, are reported at historical cost. These expenses are amortised over the estimated useful life. The useful life is estimated at 5 years, whereupon the reported asset will be amortised linearly in accordance with this estimate.

Tangible fixed assets

Tangible fixed assets are reported at historical cost less depreciation. Historical costs include expenditure that can be directly attributed to the acquisition of the asset. Depreciation according to plan has been calculated for tangible fixed assets on the basis of the original historical costs with depreciation rates based on the estimates of the assets' economic useful lives.

The Group applies the following depreciation periods: buildings, 20 years; equipment, tools, fixtures and fittings, 5-10 years; and IT hardware, 3 years.

Impairment

Goodwill, which has an indefinite useful life, is subject to annual impairment testing. Tangible and intangible fixed assets are subject to impairment testing and impairment losses are recognised whenever internal or external indications of potential impairment are identified, in accordance with IAS 36. An impairment is effected in the amount by which the asset's carrying value exceeds the recoverable amount. The recoverable amount is whichever is the higher of the asset's fair value less selling expenses and its value in use. The term, value in use, refers to the sum of the present value of expected future cash flows and the estimated residual value at the end of the useful

life. When calculating the value in use, future cash flows are discounted at an interest rate that takes into account the market's assessment of risk-free interest and risk. In the Group, the calculation is based on results achieved, forecasts and business plans. When conducting impairment testing, assets are grouped together at the lowest levels at which there are separate, identifiable cash flows (cash-generating units).

Intangible assets that are not in use are not amortised, but are subject to annual impairment testing. If the recoverable amount is less than the carrying amount, an impairment loss is recognised. The recoverable amount comprises whichever is the higher of the fair value and the value in use. The value in use is calculated on the basis of the estimated future cash flows, based on the competitive situation and estimated market shares.

Investments in subsidiary companies are valued in the Parent Company at historical cost and impairment testing is carried out at each year-end. The subsidiary company's equity forms a key criterion for assessment in this context. Supplementary investments may be made in the form of new share issues or shareholders' contributions.

Inventories

Inventories are reported at whichever is the lower of the historical cost and the net realisable value. The historical cost is determined using the first in, first out (FIFO) method. The historical cost includes purchasing costs, customs duties and transportation costs, and other direct costs associated with goods purchases. The net realisable value is the expected sale price in operating activities less selling costs. Obsolescence risk and confirmed obsolescence are taken into account in the valuation. As goods in inventory are sold, their carrying amount is carried as an expense in the period in which the corresponding revenue is recognised. Losses on goods in inventory are recognised in the Income Statement in the period to which the loss relates.

Equity

Transaction costs directly attributable to the issuance of new shares or options are reported in equity as a deduction from issue proceeds in the capital component of Other capital contributed.

Revenues

Revenues include the fair value of what is received or will be received for goods or services sold. Revenues are recognised excluding VAT, returns and discounts, and after eliminating intragroup sales. Revenues are recognised when the amounts can be measured reliably and it is likely that future economic benefits will flow to the Group.

Sales of pharmaceuticals

To recognise revenues from the sale of pharmaceuticals, the following criteria of IAS 18:14 must be satisfied:

- The company has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The revenue amount can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the company.
- The costs incurred or which can be expected to be incurred in respect of the transaction can be measured reliably.
- For Medivir, the applied principle means that revenues from sales of pharmaceuticals are recognised at the time of delivery to the customer in that the customer takes over the economic risks and rewards at that time. This presupposes that the other above-mentioned criteria are also adjudged to have been satisfied at that time.

Royalty income

Income in the form of royalty is reported when there is a likelihood of the financial benefits associated with the transaction accruing to Medivir, and when the income can be reliably calculated. This occurs when the counterparty has reported and confirmed the product volume sold on which Medivir's royalty remuneration is based.

Out-licensing and collaboration agreements

Revenues from agreements made with Medivir's partners on research projects are recognised on the basis of their economic substance. Remuneration can, under the terms of these agreements, be payable in the form of upfront fees when the agreement is entered into, milestone payments, remunerations paid during the term of the agreement for a set number of full-time equivalent research positions (FTEs), and/or royalties. Medivir may also be entitled, under the terms of the agreements, to receive remuneration for costs incurred. The remuneration is recognised as revenue for invoiced costs in the same period as the cost.

Revenue recognition is initially conducted on the basis of a judgement of whether the agreement with the counterparty in relation to one of Medivir's intangible assets (one or more research projects) means that: i) the collaboration shall take the form of a research project with the partner, or ii) the licence that the counterparty is granted under the terms of the agreement means that the intangible asset has, from an accounting perspective, been divested (i.e. a sold licence to dispose over the asset).

The judgement is made on the basis of the criteria laid down in IAS 18 for sales of goods (see above under Sales of pharmaceuticals). If these criteria are satisfied, the judgement is that the economic substance of the agreement entails a divestment of the underlying asset. If the criteria are not satisfied, no divestment of the asset has occurred.

Reporting in cases where the economic substance of an agreement is that a sale of a research project has occurred

Payments received when a licensing agreement is entered into (upfront fees) are recognised as revenues when the agreement is entered into if there is no restriction in the agreement with the counterparty. If any criterion in accordance with IAS 18:14 (see above) is not satisfied, the revenue recognition is postponed until such time as all criteria are satisfied. Any additional remuneration in the form of milestone payments is recognised as revenue when it can be reliably measured, i.e. when the criteria in the relevant out-licensing agreement regarding remuneration to Medivir have been satisfied and verified with the counterparty. Revenues are regarded as remuneration for a sold licence that entitles the counterparty to utilise Medivir's intangible asset. Royalties are recognised in the period in which they accrued under the terms of the agreement.

Reporting in cases when the economic substance of an agreement is that a collaboration shall occur

Medivir retains undertakings in the agreement in these cases, often for future development work that will be conducted either separately or jointly with the counterparty. A reporting method is chosen to determine when and at what value revenue is recognised on the basis of the contents of the specific agreement. Factors affecting revenue recognition in collaboration agreements include:

- Whether the remuneration is only received once goals have been achieved.
- Whether remuneration is payable for work done directly (e.g. for a number of FTEs).
- Whether remuneration is received in advance or in arrears in relation to services rendered under the agreement.

Remuneration received in the form of upfront fees, and which refers to undertakings in the agreement not yet rendered by Medivir, is allocated over the term of the agreement during which Medivir fulfils its undertakings. If the remuneration refers to research services (such as FTEs), revenue is recognised as the work is carried out. Remuneration received when development goals are achieved (often in the form of milestone payments) in a collaboration agreement is recognised when it is clear, under the terms of the agreement, that Medivir shall receive the remuneration. This is then considered as a remuneration for services rendered during the period up to and including that date. This revenue recognition model is often referred to as the milestone method in that successive revenue recognition cannot be applied to those research projects that have potential future milestones from a collaboration partner as it is not possible to measure a degree of completion in a sufficiently reliable manner as stipulated by IAS 18 as a requirement for successive revenue recognition of a project, nor is it possible to measure with sufficient accuracy the precise expenses that will be incurred in order to receive the corresponding milestone (the number of researchers and other direct expenses may vary over time), nor is any remuneration payable if the criteria agreed with the collaboration partner are not satisfied.

Central government support (EU grants and other subsidies)

Central government support is reported in accordance with IAS 20 under other income. Support received is recognised as revenue when the company satisfies the conditions associated with the support and it can be reliably determined that the support will be received. Support received is reported in the Balance Sheet under prepaid income and is recognised as revenue as the terms for receiving the funds are satisfied. Medivir receives central government support mainly in the form of research grants from the EU. An insignificant percentage of Medivir's projects are financed with central government support.

Operating segments

IFRS 8 requires segment information to be presented from the management's perspective, which means that it is presented in the way used in internal reporting. The basis for identifying reportable segments is internal reporting as it is reported to and followed up on by the chief operating decision maker. The company has, in this context, identified the Group President/CEO as the chief operating decision maker. The President/CEO evaluates the operating segments' results on the basis of the EBITDA metric, which comprises the operating profit/loss before depreciation and amortisation. Since 1 July 2013, Medivir's business operations are organised into a single segment comprising research and development work on the Group's research portfolio and the marketing and sale of proprietary and acquired pharmaceuticals.

Leasing

Leasing agreements are classified either as operational or financial leasing agreements.

Leasing agreements for fixed assets under which the Group has, in every significant way, assumed the economic risks and benefits associated with ownership, are classified as financial leasing. The leased object is reported as a fixed asset in the Balance Sheet and the obligation to pay leasing charges is reported as a liability. Financial leasing is reported in the Balance Sheet at the beginning of the lease term at whichever is the lower of the lease object's fair value and the present value of the minimum leasing charges. Leasing charges paid are allocated between amortisation and interest. The leased fixed asset is depreciated over the asset's useful life.

Leasing agreements where Medivir incurs no significant risk or benefit from an object are reported as operational leasing agreements. Payments made during the lease term are booked as expenses in the Income Statement linearly over the lease period. See also Note 21 on page 70.

Pension liability and pension costs
Medivir's ITP (supplementary pensions for salaried employees) scheme is insured with Alecta and should be regarded as a defined benefit pension scheme in accordance with the UFR 10 statement from the Swedish Financial Reporting Board.

In accordance with UFR 10, the company shall report its proportional share of the defined benefit undertakings and the plan assets and costs associated with the scheme. Alecta is unable to provide sufficient information and the scheme is consequently reported, until further notice, as if it were a defined contribution plan.

Alecta's surplus can be distributed among the policyholders and/or the beneficiaries. At the end of 2014, Alecta's surplus in the form of the collective consolidation ratio was preliminarily calculated by Alecta at 144 per cent (143%). The Group is of the opinion that the current premiums should cover existing undertakings. Other pension schemes within the Group are defined contribution schemes. The premiums paid are reported as personnel costs when they fall due for payment.

Severance pay
Severance pay is booked as an expense when the obligation to pay the remuneration arises.

Royalty costs
Some of the pharmaceuticals that generate revenues for Medivir are based on inventions and rights that originally belonged to external parties and to which Medivir has obtained contractual right of disposal. Medivir makes payment for its right of disposal over these incorporeal rights in the form of royalties. The payments are based on the revenues that Medivir receives from any milestone payments or sales of finished pharmaceutical products, and royalty costs and provisions are, therefore, reported in conjunction with the receipt by Medivir of feedback and confirmation from other parties that sales of the pharmaceutical product have occurred.

Income tax
The tax expense for the period consists of current tax and deferred tax. Tax is recognised in the Income Statement apart from when tax relates to items recognised in other comprehensive income or directly in equity. In such cases, tax is also recognised in other comprehensive income and equity, respectively. Current tax is tax to be paid or received for the current year and restatements of current tax relating to previous years.

Deferred tax is recognised in accordance with the balance sheet method on all temporary differences that arise between the taxable values of assets and liabilities and their carrying amounts in the consolidated accounts.

Deferred tax receivables are recognised to the extent it is likely that future taxable profits will be available.

Note 11 lists items that include the estimated deductible deficits accumulated in the Group. The Group's taxable deficits have no expiry date.

The treatment of deferred tax on temporary differences is reported and explained in Note 11 on pages 65-66. The various components of consolidated total tax are also explained in this Note.

Discontinued operations
Discontinued operations are reported in accordance with IFRS 5. A discontinued operation is that part of a company that has either been divested or which is classified as being held for sale and which comprises an independent, significant operating segment or a significant operation that is conducted within a geographical area, is part of a single, coordinated plan for the divestment of an independent operating segment or a significant operation that is conducted within a geographical area, or is a subsidiary company that has been acquired exclusively for the purposes of resale. The sum of the profit/loss after tax of discontinued operations is reported as a single item in the Income Statement. The disclosures are also provided for previous periods.

The disclosures in the Notes comprise the Group's total operations including discontinued operations unless otherwise indicated.

Statement of Cash Flows
The Statement of Cash Flows has been reported by applying the indirect method. Reported cash flow only includes transactions involving payments made or received. Cash and bank balances, and short-term investments such as commercial papers and fixed income and bond funds with a maximum term of three months, are reported as cash and cash equivalents in the Statement of Cash Flows.

Significant estimates and judgements
The company management and the Board of Directors must, in order to be able to prepare the accounts in accordance with generally accepted accounting practices and in compliance with IFRS, make estimates and assumptions regarding the future. These estimates and assumptions affect both recognised revenue and cost items and asset and liability items, as well as other disclosures. Estimates and judgements are evaluated continuously and are based on historical experience and other factors, including expectations of future events regarded as reasonable under the prevailing circumstances. Segments that include such estimates and assumptions that may have a material impact on the Group's operating results and financial position are presented below.

Revenues

Medivir does not apply successive revenue recognition for impending potential milestone payments within the research projects due to the constant uncertainty regarding the extent of the progress made by the project and the likelihood that the next goal/milestone will be achieved. The income side consequently only shows confirmed and non-refundable income that can be considered to have accrued.

Allocation to particular periods could show how Medivir successively receives revenues from the counterparty's utilisation of incorporeal rights, but if successive revenue recognition were to be applied, there is a risk that income would be reported that is uncertain in terms of whether Medivir would ever receive any payment. An announcement by the counterparty that the project was to be discontinued, for example, could, under such circumstances, mean that Medivir had reported its profit or loss inaccurately.

Research and development costs

Research costs, including registration costs, are reported on an ongoing basis as costs as long as it remains uncertain what the future economic benefits arising from these costs will be. Pharmaceutical development is generally a complex and risky activity and the majority of research projects will never result in a pharmaceutical on the market.

Product development costs shall be capitalised when it is likely that the project will succeed. Every research project is unique and must be judged individually on the basis of its own preconditions. The earliest date for capitalisation to occur is adjudged to be upon completion of the phase III trials, but a number of uncertainty factors may still remain, even after completion of phase III trials, such that the criteria for capitalisation cannot be considered to be satisfied. Where this is the case, capitalisation does not occur until the pharmaceutical is approved by the relevant regulatory authority.

Premature capitalisation entails a risk of a project failing and of it being impossible to justify offset costs which must, instead, be carried directly as an expense. This would, in turn, mean that the previous year's results, and those for the year in question, would be misleading due to overly optimistic probability assessments.

Intangible fixed assets

The Group conducts impairment testing every year with regard to goodwill, other intangible assets with an unidentified useful life, and as yet uncompleted development projects. Other intangible assets are subject to impairment testing when events or changes indicate that the carrying amounts are not recoverable. When calculating the value in use, future cash flows are discounted at an interest rate that takes into account the market's assessment of risk-free interest and risk (WACC). In the Group, the calculation is based on results achieved, forecasts and business plans. When conducting impairment testing, assets are grouped together at the lowest level at which there are separate, identifiable cash flows (cash-generating units). The estimations and assumptions made by the management in conjunction with impairment testing can have a significant impact on the Group's reported profit or loss. Impairment is effected if the estimated value in use is less than the carrying amount and is charged to the profit or loss for the year. See also Note 13, on pages 67–68, for significant assumptions and a description of the effect of reasonable possible changes in the assumptions that form the basis for the calculations.

Tax

The deferred tax receivable has been calculated on the basis of the management's and Board of Directors' judgement of the future utilisation of the consolidated accumulated deficits within the foreseeable future. A revised judgement of the way in which the deductible loss carry forward can be recovered through future taxable surpluses may affect reported tax in the results of the operations and the balance in forthcoming periods. See also Note 11, on page 65.

Other information

The financial reports are presented in thousands of kronor (SEK k) unless otherwise indicated. Rounding off may mean that certain tables in the Notes do not add up.

Notes

Note 01 Segment reporting

Operating segments are reported in a manner that is consistent with internal reporting presented to the chief operating decision maker. The chief operating decision maker is the function responsible for allocating resources and judging the results of operating segments. In the Group, this function has been identified as the CEO.

The Group's operations comprise one segment that comprises research and development and pharmaceutical sales.

The Pharmaceuticals segment includes the Group's research portfolio, the in-house developed pharmaceuticals, Simeprevir and Xerclear, and the original pharmaceuticals owned by the wholly-owned subsidiary company, BioPhausia.

The Group management assesses the operating segments on the basis of the EBITDA metric, which comprises the operating profit/loss before depreciation and amortisation.

	2015			2014		
SEK k	**Pharmaceuticals**	**Elimination**	**Total**	**Pharmaceuticals**	**Elimination**	**Total**
Net sales	657,889	–	657,889	1,766,989	–	1,766,989
EBITDA	154,999	–	154,999	1,221,925	–	1,221,925
EBITDA, %	24	–	24	69	–	69
Depreciation and amortisation	–40,234	–	–40,234	–33,193	–	–33,193
Net financial items	–12,811	–	–12,811	3,970	–	3,970
Profit/loss after financial items	101,954	–	101,954	1,192,701	–	1,192,701

Information has not been provided for assets and liabilities per operating segment as the Group management does not use this information in its control work.
All of the Group's fixed assets are located in Sweden.

	THE GROUP		PARENT COMPANY	
SEK k	**2015**	**2014**	**2015**	**2014**
Breakdown of net sales				
Out-licensing and collaboration agreements				
Non-recurrent payments	0	0	0	0
Research collaborations	0	0	0	33,640
Pharmaceutical sales	237,520	366,796	53,904	186,747
Royalties	420,370	1,400,193	420,370	1,400,193
Other services	0	0	26,500	25,827
Total	**657,890**	**1,766,989**	**500,774**	**1,646,407**
Geographic breakdown of net sales, external customers				
Sweden	190,870	279,360	28,157	120,293
Nordic region, other	46,651	87,436	25,746	66,453
Europe, other	1,816	0	1,816	0
USA	418,553	1,400,193	418,553	1,400,193
Rest of the world	0	0	0	0
Total	**657,890**	**1,766,989**	**474,274**	**1,586,940**
External customers who account for more than 10% of net sales				
Customer 1	418,554	1,400,193	418,554	1,400,193
Customer 2	190,870	279,466	65,530	120,293

The Parent Company's sales to Group companies totalled SEK 37,498 thousand (SEK 59,467 k). Purchases from Group companies totalled SEK 0 thousand (SEK 0 k). As of 2015, costs of SEK 10,998 thousand (SEK 33,640 k) invoiced to Medivir UK Ltd are not longer invoiced as part of net sales and are, instead, now included under Other operating income.

Major customers
The Group's two biggest customers collectively account for 93 per cent (95%) of the Group's total net sales.

Note 02 Costs by type of cost

	THE GROUP		PARENT COMPANY	
SEK k	**2015**	**2014**	**2015**	**2014**
Cost of raw materials and consumables[1)]	101,745	168,655	31,814	97,485
of which direct costs for purchases of goods	57,230	57,994	1,643	2,484
Other external costs	225,723	205,396	198,700	185,867
Personnel costs	178,639	178,623	178,639	178,623
Amortisation and depreciation of intangible fixed assets[2)]	29,602	23,039	7,477	778
Depreciation of tangible fixed assets[3)]	10,633	10,154	10,537	9,960
Total cost of goods sold, sales, administration, and research and development	**546,341**	**585,868**	**427,167**	**472,713**

[1)] Of which royalty costs totalling SEK 25.6 million (SEK 87.2 m)
[2)] The Group's depreciation is broken down by function as follows:
Administrative expenses: SEK 1.3 million (SEK 0.3 m)
Selling expenses: SEK 22.9 million (SEK 22.8 m)
Research and development costs: SEK 5.4 million (SEK 0.0 m)
[3)] The Group's depreciation is broken down by function as follows:
Administrative expenses: SEK 2.2 million (SEK 3.2 m)
Selling expenses: SEK 0.0 million (SEK 0.1 m)
Research and development costs: SEK 8.4 million (SEK 6.9 m).

Note 03 Intra-Group transactions

The Parent Company
Intra-Group sales totalled SEK 37,498 thousand (SEK 59,467 k). Intra-Group purchases totalled SEK 0 thousand (SEK 0 k).

Note 04 Audit costs and audit consulting[1)]

	THE GROUP		PARENT COMPANY	
SEK k	**2015**	**2014**	**2015**	**2014**
PwC[1)]				
Audit engagement	1 176	1 294	930	925
Auditing activities over and above audit engagement	394	454	282	454
Tax advice	492	457	386	356
Other services	17	516	17	550
Total, PwC	**2 080**	**2 721**	**1 615**	**2 285**
EY				
Audit engagement	34	33	–	–
Other services	0	100	0	100
Total, EY	**34**	**133**	**0**	**100**
Total	**2 113**	**2 854**	**1 615**	**2 385**

[1)] The Group's auditors are PricewaterhouseCoopers AB.

The term, audit engagement, refers to fees payable for the statutory audit, i.e. work that was needed to submit the audit report, and so-called audit advisory services provided in conjunction with the audit engagement.

Note 05 Average number of employees, salaries, other remuneration, and social security contributions

	THE GROUP			
	2015		**2014**	
Average number of employees	**Women**	**Men**	**Women**	**Men**
Sweden	68	55	73	56
UK	3	1	3	2
Denmark	3	1	3	1
Norway	1	1	1	1
Finland	1	0	1	0
Total	**76**	**58**	**81**	**60**

	THE GROUP	
Salaries, remuneration, social security contributions, and pension costs, SEK k[1–7)]	**2015**	**2014**
Salaries and remuneration		
Niklas Prager (CEO from 15 September 2014)	4,947	1,862
Maris Hartmanis (CEO until 15 September 2014)[1)]	–	7,230
Anna Malm Bernsten (Member of the Board)	367	353
Björn C Andersson (Member of the Board until 5 May 2015)	157	303
Anders Ekblom (Member of the Board from 8 May 2014)	368	153
Ingemar Kihlström (Member of the Board until 8 May 2014)	–	200
Rolf Classon (Member of the Board until 8 May 2014)	–	135
Anders R Hallberg (Member of the Board)	322	288
Göran Pettersson (Chairman of the Board until 8 May 2014)	–	222
Niklas Prager (Member of the Board from 15 May 2014 until 1 September 2014)	–	115
Bertil Samuelsson (Member of the Board from 8 May 2014)	231	77
Birgitta Stymne Göransson (Chairman of the Board from 8 May 2014, Member of the Board from 6 May 2013)	592	468
Bo Öberg (Member of the Board until 8 May 2014 from 6 May 2013)	–	135
Helena Levander (Member of the Board from 5 May 2015)	178	–
Johan Harmenberg (Member of the Board from 5 May 2015)	160	–
Total, Board of Directors and CEO	**7,320**	**11,542**
Other senior executives[2–4)]	12,234	19,170
Other employees[5)]	104,409	86,307
Salaries and remuneration, total	**123,963**	**117,019**
Statutory and contractual social security contributions	**30,479**	**35,681**
Pension costs (of which SEK 813 thousand (SEK 1,124 k) for the CEO)	19,277	18,718
Total salaries, remuneration, social security contributions, and pension costs	**173,719**	**171,418**

1) Severance pay refers to remuneration in conjunction with contractual departure from employment, see Note 5. Severance pay totalling SEK 3,098 thousand has been disbursed to the former CEO, Maris Hartmanis, in 2015, and was booked as a cost in 2014.
2) Remuneration to other senior executives carried as a cost in the 2015 accounts and which will be disbursed in 2016 totals SEK 2,329 thousand.
3) Remuneration totalling SEK 8,325 thousand was disbursed to other senior executives in 2015 and carried as a cost in 2014.
4) Remuneration to other senior executives from 2014 and which will be disbursed in 2016, totalled SEK 1,448 thousand in conjunction with the 2015 annual accounts.
5) The total remuneration to other personnel carried as an expense in conjunction with contractual departure from employment during the year and which will be disbursed during 2016, totalled SEK 4,705 thousand in conjunction with the 2015 annual accounts.
6) The number of Parent Company employees, and their salaries, remunerations, social security contributions and pension costs correspond to the Group's figures and only the Group figures are, therefore, reported in this Note.
7) The table shows the fees disbursed to the Board of Directors with reference partly to the Board mandate period from May 2015 to April 2016 (disbursed: Dec. 2015) and partly to the Board mandate period from May 2014 to April 2015 (disbursed: May 2015).

Note 05 cont.

The Board of Directors
SEK 2,373 thousand (SEK 2,450 k) was paid in Directors' fees to the Board of Directors of Medivir during the financial year, SEK 592 thousand (SEK 555 k) of which was paid to the Chairman of the Board. Members of the Board are also reimbursed for travel expenses in conjunction with Board Meetings, etc. There is no pension plan for the Board of Directors. The following sums, as approved by the Board of Directors, have also been disbursed: SEK 1 thousand (SEK 41 k) to Bernsten Konsult AB (Anna Malm Bernsten), SEK 30 thousand (SEK 60 k) in consultancy fees to Altoni AB (Niklas Prager) in respect of Q1-2014 and SEK 3,259 thousand (SEK 11,057 k) in royalties to Uppsala Hallbechem AB (Anders R Hallberg) and SEK 8,998 thousand (SEK 24,158 k) in royalties to SYBESAM (Bertil Samuelsson), both in accordance with pre-existing contracts.

Guidelines for remuneration to senior executives
Medivir shall offer a competitive total remuneration package that enables the recruitment and retention of qualified senior executives. Remuneration payable to the senior executives may comprise a fixed salary, any performance-related pay, incentive plans approved by the AGM, pensions and other benefits. The fixed salary shall take into account the extent of the individual's responsibilities and their experience. Performance-related pay paid in cash shall total a maximum of 50 per cent of the annual fixed salary. Performance-related pay shall be linked to predetermined and quantifiable criteria formulated in order to promote the company's long-term value creation. The Directors' Report on page 37 presents the guidelines in their entirety.

Pensions
Pensions shall be premium-based. The premium can, for the CEO and other senior executives, comprise up to 25 per cent of the fixed salary. The Board of Directors shall be entitled, the above provisions notwithstanding, to offer other alternative solutions which, from a costs point of view, are approximately equivalent to the above.

Severance pay, etc.
A maximum mutual notice period of six months shall apply. No severance pay or similar remuneration shall, as a basic principle, be payable but may – up to an one-off amount corresponding to a maximum of 100 per cent of the annual remuneration – be agreed with reference to any change of control. An additional entitlement to severance pay corresponding to a maximum of 100 per cent of the annual remuneration may also apply for the CEO in the event of the company terminating the employment of the CEO or of the CEO resigning due to a significant breach of contract on the part of the company.

Remuneration for the Chief Executive Officer
Salaries and other remuneration paid to the CEO during the year totalled SEK 3,600 thousand (SEK 1,279 k), while bonuses totalled SEK 1,194 thousand (SEK 580 k), and other remuneration, SEK 153 thousand (SEK 3 k). The pension plan conforms to the individual pension plan of 25 per cent of the annual gross salary, excluding bonuses and benefits. Pension provisions during the year totalled SEK 813 thousand (SEK 298 k).

A mutual notice period of six months applies for the CEO. Any bonuses are maximised to a value of 50 per cent of the annual fixed salary.

Other senior executives
The term, other senior executives, refers, in addition to the CEO, to the people who, together with the CEO, have comprised the management group during the year. In 2015, the management group, excluding the CEO, comprised seven persons (two women and five men) up to and including 28 February. As of 1 March, the management group, excluding the CEO, comprised five persons (two women and three men). Salaries totalling SEK 9,374 thousand (SEK 10,811 k) have been paid to other senior executives, together with SEK 1,703 thousand (SEK 2,394 k) in performance-related pay, SEK 853 thousand (SEK 5,459 k) in restructuring costs, and SEK 304 thousand (SEK 506 k) in benefits, comprising a total of SEK 12,234 thousand (SEK 19,170 k) in remuneration paid. Pension provisions have been made in the sum of SEK 1,628 thousand (SEK 2,193 k).

Fixed salaries and performance related pay
The CEO and Group management, managers and a number of key individuals receive performance-related pay in addition to their fixed salaries. The performance-related pay follows a system adopted by the Board of Directors, based on financial goals, company-wide goals, functional goals and, where relevant, individual goals.

The level of the performance-related pay per individual is maximised to between 10 and 50 per cent of the basic salary received and is disbursed every year in cash for the previous year. For the CEO and management group, 50 per cent of the performance-related pay is based on financial goals and 50 per cent on company-wide goals. For managers and a number of key individuals, 25 per cent of the performance-related pay is based on financial goals, 25 per cent on company-wide goals and 50 per cent on individual goals.

Share-related incentive plans
The intention of share-related incentive plans is to promote the company's long-term interests by motivating and rewarding the company's senior executives and other members of staff. An account of the two share-related incentive plans currently operated by the company follows. Medivir's share-related incentive plans are reported in accordance with IFRS 2 – Share-based Payment.

Share saving plan 2013 (LTI-2013)
The introduction of a performance-based, long-term share saving plan (LTI-2013) was approved at the 2013 Annual General Meeting. The plan comprises all of the company's senior executives and other permanent employees of Medivir. The chance to acquire class B shares in Medivir was offered to all employees, provided that the employees in question both invested in Medivir's class B shares at the market rate on the NASDAQ Stockholm Stock Exchange – so-called savings shares, that they retain these savings shares during the vesting period, and that the employees in question continue to be employed by Medivir for the entire vesting period. If the above-mentioned criteria are met, the employees in question may receive, for every savings share, one so-called matching share and a maximum of three so-called performance-based share warrants.

The invitation to invest in savings shares applied to a sum corresponding to a maximum of one fixed monthly salary before tax. The minimum possible investment was SEK 6,000. Employees were allowed to make either an initial one-off investment in shares or twelve monthly savings for quarterly investments in shares.

The performance-based share warrants are based both on the strategic development of Medivir's research and product portfolios and on the total return on the Medivir share during a three-year period from 2013 to 2015, known as the measurement period.

The share price-related performance condition in LTI-2013 means that performance-based share warrants are earned if the share price trend for Medivir is high in comparison with the OMX Stockholm Total Return Index trend during the measurement period. Entitlement to performance-based share warrants in accordance with this condition is contingent upon the price of the Medivir class B share having risen by at least 10 per cent, relative to the index. If this minimum level is achieved, 25 per cent of the maximum number of performance-based share warrants to which the participant is entitled under this condition will be allocated. The maximum number of performance-based share warrants to which the participant is entitled under this condition will be allocated if the price of Medivir's class B share rises by 30 per cent or more, relative to the index. If the share price trend falls within these two levels, a linear allocation of the number of performance-based share warrants will be made. The value of the performance-based share warrants for this condition, in accordance with LTI-2013, has been calculated by means of Monte Carlo simulation based on market conditions on the allocation date. The value per performance-based share warrant in respect of the share price condition of LTI-2013 has, based on these conditions, been calculated at 34 per cent of the value of the Medivir class B share on the allocation date.

The volume-weighted average share price of SEK 68.75 on the allocation date, a volatility of 37.5 per cent, and a risk-free interest rate of 0.83–0.93 per cent were all important input data in the model for LTI-2013.

73 per cent of all permanent employees of Medivir AB initially chose to participate in LTI-2013. On 31 December 2015, the CEO and other members of the management group held 0 and 2,281 shares, respectively, under this plan.

The maximum total number of class B shares that Medivir may issue in accordance with the LTI-2013 plan, based on the above-mentioned requirement that employees both retain their savings shares during the vesting period and that the employees in question continue to be employed by Medivir for the entire vesting period, including those shares that may be acquired through the exercise of warrants, was estimated on the closing date of 31 December 2015 to total a maximum of 86,797 class B shares, corresponding to approximately 0.32 per cent of the total number of shares and approximately 0.27 per cent of the total number of votes in Medivir. The maximum amount by which the share capital can increase is SEK 0.5 million. SEK 1.5 million (SEK 4.0 m) in costs in connection with LTI-2013, including the cost of social security contributions has, in accordance with certain assumptions such as share price performance, partici-

pation, and staff turnover, been charged to the profit/loss. The right of disposal must exist with regard to the warrants and the shares that will be disbursed through the exercise of the warrants in order to enable the shares to be disbursed to the participants at the end of the programme. The warrants are also issued in order to hedge the cash flow-related costs of the programme for the Group, such as social security costs, that arise in connection with LTI-2013.

Share saving plan 2014 (LTI-2014)

The introduction of a performance-based, long-term share saving plan (LTI-2014) was approved at the 2014 Annual General Meeting. The plan comprises all of the company's senior executives and other permanent employees of Medivir. The chance to acquire class B shares in Medivir is offered to all employees, provided that the employees in question both invest in Medivir's class B shares at the market rate on the Nasdaq Stockholm Stock Exchange – so-called savings shares, that they retain these savings shares during the vesting period, and that the employees in question continue to be employed by Medivir for the entire vesting period. If the above-mentioned criteria are met, the employees in question may receive, for every savings share, one so-called matching share and a maximum of three so-called performance-based share warrants.

All employees participating in LTI-2014 have been afforded the opportunity to make an initial one-off investment in savings shares in a sum corresponding to a maximum of one fixed monthly salary before tax. The minimum possible investment was SEK 3,000.

The performance-based share warrants are based both on the strategic development of Medivir's research and product portfolios and on the total return on the Medivir share during a three-year period from 2014 to 2016, known as the measurement period.

The share price-related performance condition in LTI-2014 means that performance-based share warrants are earned if the share price trend for Medivir is high in comparison with the OMX Stockholm Total Return Index trend during the measurement period. Entitlement to performance-based share warrants in accordance with this condition is contingent upon the price of the Medivir class B share having risen by at least 10 per cent, relative to the index. If this minimum level is achieved, 25 per cent of the maximum number of performance-based share warrants to which the participant is entitled under this condition will be allocated. The maximum number of performance-based share warrants to which the participant is entitled under this condition will be allocated if the price of Medivir's class B share rises by 30 per cent or more, relative to the index. If the share price trend falls within these two levels, a linear allocation of the number of performance-based share warrants will be made. The value of the performance-based share warrants for this condition, in accordance with LTI-2014, has been calculated by means of Monte Carlo simulation based on market conditions on the allocation date. The value per performance-based share warrant in respect of the share price condition of LTI-2014 has, based on these conditions, been calculated at 57 per cent of the value of the Medivir class B share on the allocation date.

The volume-weighted average share price of SEK 136.50 on the allocation date, a volatility of 48.3 per cent, and a risk-free interest rate of 0.53–0.60 per cent were all important input data in the model for LTI-2014.

48 per cent of all permanent employees initially chose to participate in LTI-2014. On 31 December 2015, the CEO and other senior executives held 2,085 and 0 shares, respectively, under this plan. The maximum total number of class B shares that Medivir may issue in accordance with the LTI-2014 plan, based on the above-mentioned requirement that employees both retain their savings shares during the vesting period and that the employees in question continue to be employed by Medivir for the entire vesting period, including those shares that may be acquired through the exercise of warrants, was estimated on the closing date of 31 December 2015 to total a maximum of 63,384 class B shares, corresponding to approximately 0.24 per cent of the total number of shares and approximately 0.20 per cent of the total number of votes in Medivir. The maximum amount by which the share capital can increase is SEK 0.3 million. SEK 1.6 million (SEK 1.3 m in costs in connection with LTI-2014, including the cost of social security contributions has, in accordance with certain assumptions such as share price performance, participation, and staff turnover, been charged to the profit/loss. The right of disposal must exist with regard to the warrants and the shares that will be disbursed through the exercise of the warrants in order to enable the shares to be disbursed to the participants at the end of the programme. The warrants are also issued in order to hedge the cash flow-related costs of the programme for the Group, such as social security costs, that arise in connection with LTI-2014.

Note 06 Leasing agreements including property rent

	THE GROUP		PARENT COMPANY	
SEK k	**2015**	**2014**	**2015**	**2014**
Cost of the year[1)]	20,587	20,160	13,573	13,591
Nominal value of future minimum lease payments for irrevocable leasing agreements including property rent				
Within one year[2)]	16,618	14,529	8,771	10,690
Between one and five years[3)]	46,905	41,821	15,515	13,213
Total	**63,523**	**56,350**	**24,286**	**23,903**

[1)] The costs refer mainly to premises rent for Medivir UK and Medivir AB. Rent costs within the Group total SEK 17,998 thousand (SEK 17,286 k), of which rent costs in Medivir AB total SEK 10,984 thousand (SEK 10,717 k), and SEK 7,013 thousand (SEK 6,569 k) in Medivir UK. SEK 9,670 thousand (SEK 7,144 k) of the rent costs for the year are recognised as revenue due to the subletting of the research facilities in Chesterford Park. The net profit/loss for the subletting of SEK 2,657 thousand (SEK 574 k) has been reported under other revenue in the Income Statement. The lease agreements for Medivir AB expire in 2018, while the lease agreement for Medivir UK in Chesterford Park expires in 2025. Medivir UK's lease agreement is index-linked every five years. The research facilities in Chesterford Park have been sublet to AstraZeneca up to and including 2025, with index linking that corresponds, in every significant respect, to Medivir UK's own index-linking.

[2)] Of which SEK 8,617 thousand will be recognised as revenue due to the subletting of the research facilities in Chesterford Park.

[3)] Of which SEK 34,468 thousand will be recognised as revenue due to the subletting of the research facilities in Chesterford Park.

Note 07 Profit/loss from participations in Group companies

	THE GROUP		PARENT COMPANY	
SEK k	**2015**	**2014**	**2015**	**2014**
Impairment losses on shares in the Medivir UK Ltd. subsidiary (see also Note 15, Participations in Group companies)	–	–	–23,457	–51,371
Total	**–**	**–**	**–23,457**	**–513371**

Note 08 Financial risks

The Group is, by virtue of its operations, exposed to a variety of different types of risks. The operations are affected by a number of factors that can impact the company's profit or loss and its financial position. The strategy entails the ongoing identification and management of risks, as far as possible. The risks can be divided into operational risks and financial risks and the section below describes the financial risk factors that are adjudged to be of the greatest significance in terms of Medivir's development, together with the way in which Medivir manages them in order to minimise the risk level.

The main financial risks that arise as a result of the management of financial instruments comprise market risks (interest risk, currency risk and share price risk), credit risk, and liquidity and cash flow risk. Operational risks are described in a separate section of the Directors' Report.

Financial policy

Medivir has established a Group policy for its financial operations. The policy defines the financial risks and describes the way in which the company shall manage these risks. The policy states that the company must, at all times, maintain a liquidity that corresponds to at least twelve months' known future net cash disbursements.

Medivir has an agreement with SHB regarding the discretionary management of the company's funds. The investment regulations associated with the agreement specify how the funds may be invested. Investments of liquid assets shall be made in such a way that the capital invested provides a reliable and secure return. Investments are made in interest-bearing instruments, fixed income funds, and cash or cash equivalent instruments.Underlying instruments shall have a low risk level and a risk spread shall be sought when investing cash and cash equivalents.

Investments may only be made in specified securities, which are low risk securities (such as Swedish bonds and papers issued by the Swedish State and A1-rated commercial papers).

Capital risk

An effective risk assessment reconciles Medivir's business opportunities and results with the requirements of shareholders and other stakeholders for sustainable profitability, stable long-term value growth, "and control. The process of research and pharmaceutical development, all the way up to approved registration, is both highly risky and capital-intensive.

The Group's objective with regard to its capital structure is to secure the Group's ability to continue its operations such that it can continue to generate a return for its shareholders and benefits for other stakeholders, and to maintain an optimal capital structure in order to keep capital costs down.

If it is to maintain its position, over time, as a Nordic pharmaceutical company that is growing and which has a strong research portfolio that generates value, both through milestone payments and royalties, and through a growing product portfolio of pharmaceuticals for sale, it is vital that Medivir has a strong capital base. The consolidated equity totals SEK 1,450,109 thousand (SEK 1,982,604 k). The cash and cash equivalent position and short-term investments total SEK 1,077,941 thousand (SEK 1,395,621 k), and the equity/assets ratio is, therefore, 89.7 per cent (90.8%).

The connection between IAS 39 categories and Medivir's Balance Sheet items

The Group, 31 Dec. 2015, SEK k	Financial assets recognised at fair value in the Income Statement	Cash and cash equivalents	Accounts receivable and loan receivables	Financial assets held for sale	Loans and accounts payable	Total
Financial assets held for sale	–	–	–	0	–	0
Other non-current receivables	–	–	0	–	–	0
Accounts receivable	–	–	23,888	–	–	23,888
Other receivables	–	–	5,000	–	–	5,000
Other short-term investments	860,416	–	–	–	–	860,416
Cash and bank balances	–	217,525	–	–	–	217,525
Accounts payable	–	–	–	–	37,053	37,053
Borrowing	–	–	–	–	0	0
Total	**860,416**	**217,525**	**28,888**	**0**	**37,053**	**1,143,882**

The Group, 31 Dec. 2014, SEK k	Financial assets recognised at fair value in the Income Statement	Cash and cash equivalents	Accounts receivable and loan receivables	Financial assets held for sale	Loans and accounts payable	Total
Financial assets held for sale	–	–	–	0	–	0
Other non-current receivables	–	–	2,501	–	–	2,501
Accounts receivable	–	–	70,159	–	–	70,159
Other receivables	–	–	7,500	–	–	7,500
Other short-term investments	1,309,583	–	–	–	–	1,309,583
Cash and bank balances	–	86,038	–	–	–	86,038
Accounts payable	–	–	–	–	40,755	40,755
Borrowing	–	–	–	–	40,000	40,000
Total	**1,309,583**	**86,038**	**80,160**	**0**	**80,755**	**1,556,536**

Note 08 cont.

Financial assets and liabilities recognised at fair value
The table below shows financial instruments valued at fair value, based on the way in which they have been classified in the value hierarchy. The different levels are defined as follows:

Level 1 fair value is determined on the basis of listed prices on an active market for identical financial assets and liabilities.

Level 2 fair value is determined on the basis of observable information other than listed prices included in level 1.

Level 3 fair value is determined on the basis of valuation models where material input data is based on non-observable data.

The Group has level 1 short-term investments. The short-term investments in the form of fixed income funds are managed as a single group of fixed assets and are recognised at fair value in the Income Statement. The Group has financial assets that can be sold at level 3 and which are not adjudged to have any value.

Fair value for other level 3 assets and liabilities is determined by discounted cash flow

Financial assets recognised at fair value

	Carrying amount	Recognition at fair value at the end of the period, based on:		
The Group, 31 Dec. 2015, SEK k		**Level 1**	**Level 2**	**Level 3**
Financial assets recognised at fair value in the Income Statement:				
Other short-term investments	860,416	860,416	0	0
Financial assets held for sale:				
Other long-term receivables	0	0	0	0
Other receivables	5,000	0	0	5,000
Total assets	**865,416**	**860,416**	**0**	**5,000**
Borrowing				
Total liabilities				

The Group, 31 Dec. 2014, SEK k		**Level 1**	**Level 2**	**Level 3**
Financial assets recognised at fair value in the Income Statement:				
Other short-term investments	1,309,583	1,309,583	0	0
Financial assets held for sale:				
Other long-term receivables	2,500	0	0	2,500
Other receivables	7,500	0	0	7,500
Total assets	**1,319,583**	**1,309,583**	**0**	**10,000**
Borrowing	40,000	0	0	40,000
Total liabilities	**40,000**	**0**	**0**	**40,000**

The following table shows the changes for level 3 instruments

SEK k	**2015**	**2014**
Opening balance	0	0
Losses recognised in the Income Statement	0	0
Closing balance	**0**	**0**

Other financial assets and liabilities
The fair value of financial instruments such as accounts receivable, loan receivables, accounts payable and other non-interest-bearing financial assets and liabilities which are recognised at the accrued historical value less any amortisation is deemed to correspond to the reported value due to the short anticipated term.

Market risks
Interest risk
Interest risk is the risk of a negative impact on cash flow or financial assets and liabilities resulting from changes in market rates of interest.

Interest risk arises in two ways; the Group's investments in interest-bearing assets whose value changes when interest rates change and the cost of the Group's borrowings when interest rates change.

Medivir's cash and cash equivalents are invested in instruments such as bank and corporate commercial papers, fixed income and bond funds, fixed bank investments and special deposits. Changes in market rates of interest consequently affect Medivir's profit/loss by reducing or increasing returns on financial assets.

The Group's cash and cash equivalents, including short-term investments with a maximum term of three months, totalled SEK 1,077,942 thousand (SEK 1,395,621 k) on 31 December 2015.

SEK 860,416 thousand (SEK 1,309,583 k) of this sum was invested in fixed income funds with discretionary management.

An average return on cash and cash equivalents of –0.68 per cent (1.83%) was achieved in 2015. The year's return has fluctuated between –0.84 per cent and 0.41 per cent (–0.4% and 0.29%).

Assuming an average of existing short-term investments during the year, if the average return had been 1 percentage point higher or lower, the annualised positive or negative effect on the profit/loss would have been approximately SEK 5,800 thousand on a full-year basis.

Falling interest rates result in a reduction in the return on the Group's cash or cash equivalents.

Currency risk
Currency risk is the risk that the fair value or future cash flows associated with financial instruments vary due to changes in foreign exchange rates.

– The profit/loss is affected when costs and revenues in foreign currencies are translated into Swedish kronor (transaction risk).
– The Balance Sheet is affected when assets and liabilities in a foreign currencies are translated into Swedish kronor (translation risk).

In accordance with Medivir's financial policy, the Group has not made use of currency hedging in 2015. Income and expenses have consequently been affected by fluctuations in foreign currency exchange rates. The company's operating profit/loss was affected during the financial year by a net of SEK –686 thousand (SEK –107 k) in exchange rate profits/losses and the exchange rate items component of net financial items total SEK –7,453 thousand (SEK 1,592 k).

All trading in foreign currency was conducted at the best rate of exchange attainable at the point of exchange.

Many of Medivir's contracts involve payments in GBP, EUR and USD, and accounts payable and accounts receivable consequently have currency exposure.

The Group's transactions in foreign currency consist of revenues from partners, pharmaceutical sales, purchases of services and goods and other operating costs.

The Group's transactions in its most common currencies and the theoretical effect on profit or loss arising if the average rates of exchange for each currency change by 5 per cent are shown below.

2015	**Net sales**	**Costs**	**Operating profit/loss**	**Change +/– 5%**
EUR	422,629	–103,246	319,383	+/– 15,969
USD	161	–41,233	–41,072	+/– 2,054
GBP	2,259	–40,718	–38,459	+/– 1,923
DKK	6,404	–19,550	–13,146	+/– 657
NOK	38,528	–9,914	28,614	+/– 1,431
Summa	**469,981**	**–214,661**	**255,320**	**+/– 12,766**

2014	**Net sales**	**Costs**	**Operating profit/loss**	**Change +/– 5%**
EUR	1,407,679	–120,343	1,287,335	+/– 64,367
USD	112	–42,736	–42,624	+/– 2,131
GBP	40,657	–68,504	–27,847	+/– 1,392
DKK	34,418	–20,494	13,924	+/– 695
NOK	54,039	–7,806	46,233	+/– 2,312
Summa	**1,536,905**	**–259,883**	**1,277,021**	**+/– 63,851**

Note 08 cont.

The table shows the currency exposed operating income and operating expenses as net amounts per currency in SEK k.

A sensitivity analysis shows that a strengthening of the Swedish krona by 5 per cent against the above currencies' annualised average exchange rates would have entailed an improvement in the Group's net profit/loss of SEK 12,766 thousand (SEK 63,851 k). A corresponding weakening of the Swedish krona would have yielded a deterioration in the net profit/loss of SEK 12,766 thousand (SEK 63,851 k).

Share price risk of unlisted shares

In 2007, Medivir received shares in conjunction with the new share issue conducted by Epiphany Biosciences, Medivir's licensing partner for the MIV-606 (EPB-348) shingles project and shares in conjunction with the new share issue conducted by Presidio Pharmaceuticals, Inc., Medivir's licensing partner for the MIV-410 (PTI-801) compound. The value of the shares held, which totalled SEK 18,793 thousand, are now impaired to SEK 0. Medivir has classified the shares as financial assets held for sale in accordance with IAS 39.

Credit risk (counterparty risk)

Credit risk is the risk that a counterparty is unable to fulfil its contracted obligations to Medivir, thus causing a financial loss for the company.

Medivir invests its cash and cash equivalents with Swedish fund managers with high credit ratings, P-1 from Moody's. In the year, these investments did not experience any value changes resulting from changes to asset managers' credit risk.

The credit risks in relation to the above investments are deemed to be minor.

Medivir may also be exposed to credit risk in accounts receivable.

Medivir's partnership agreements are with established pharmaceutical companies and historically, Medivir has never needed to impair accounts receivable. Pharmac eutical sales are made to large, established distributors which, in turn, sell the pharmaceuticals on to the pharmacies. The distributors bear no credit risk for deficient solvency on the part of the pharmacies and the Group consequently risks credit losses if the pharmacies suspend payments to the distributor. Medivir had SEK 23,888 thousand (SEK 70,159 k) in outstanding accounts receivable on the reporting date.

	THE GROUP		PARENT COMPANY	
Age analysis, accounts receivable, SEK k	**2015**	**2014**	**2015**	**2014**
Not due	22,702	69,667	1,626	47,824
Due, 1–90 days	912	477	367	30
91+ days	274	15	–	–
Total	**23,888**	**70,159**	**1,993**	**47,854**

Other receivables total SEK 8,661 thousand (SEK 15,172 k), of which SEK 0 thousand (SEK 0 k) was due on the reporting date.

Liquidity and cash flow risk

Liquidity risk is the risk of Medivir experiencing difficulties, in future, in fulfilling their obligations associated with financial liabilities.

A financial liability is each liability in the form of a contracted obligation to pay cash or other financial assets to another company,

or to exchange a financial asset or financial liability with another company subject to terms that may be disadvantageous for the company.

Medivir's management and Board of Directors have continuous access to information on the company's equity and cash and cash equivalents. Liquidity and cash flow forecasts are prepared continuously on the basis of anticipated cash flows in order to monitor liquidity capacity.

Medivir had a negative debt/equity ratio at the period end, i.e. the available cash and bank balances and short-term investments exceed the Group's interest-bearing liabilities.

Medivir's research operations in 2015 and 2014 have been financed internally. The steady sale of pharmaceutical products since the acquisition of BioPhausia in 2011 provides a continuous positive cash flow.

Current liabilities are covered by Medivir's cash position and short-term investments.

The following table shows the contractual undiscounted cash flows from the Group's financial liabilities, broken down by the time which, on the closing day, remains until the contractual due date.

	THE GROUP			PARENT COMPANY		
31 Dec. 2015	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**
Accounts payable	37,053	0	0	28,883	0	0
Bank loans	0	0	0	0	0	0

	KONCERNEN			MODERBOLAGET		
31 Dec. 2014	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**
Accounts payable	40,755	0	0	29,891	0	0
Bank loans	40,000	0	0	40,000	0	0

The amounts maturing within 12 months are consistent with the reported amounts, because the discount effect is insignificant. Other liabilities total SEK 31,610 thousand (SEK 76,192 k) and mature within 12 months. The Group's bank loans in 2014 correspond to the recognised fair value.

Note 09 Interest income and similar profit/loss items[1)]

	THE GROUP		PARENT COMPANY	
SEK k	**2015**	**2014**	**2015**	**2014**
Interest income, bank	0	0	0	0
Exchange rate difference, other, realised	–52	–5,854	0	–5,854
Exchange rate difference, other, unrealised	1,862	2,625	51	0
Dividends from fixed income fund	1	102	1	102
Change in fair value of fixed income fund, unrealised	–3,933	9,321	–3,976	9,321
Other financial income	76	365	319	489
Total	**–2,046**	**6,558**	**–3,605**	**4,057**

[1)] Other interest income and similar profit/loss items are an effect of short-term investments recognised at fair value in the Income Statement and cash and bank balances..

Note 10 Interest expenses and similar profit/loss items

	THE GROUP		PARENT COMPANY	
SEK k	**2015**	**2014**	**2015**	**2014**
Interest expenses	–1,450	–1,555	–1,403	–1,543
Exchange rate differences, other, unrealised	–9,316	–1,033	–3,798	0
Total	**–10,765**	**–2,588**	**–5,200**	**–1,543**

Note 11 Tax

	THE GROUP		PARENT COMPANY	
SEK k	**2015**	**2014**	**2015**	**2014**
Tax on the profit/loss for the year				
Current tax	–6,269	–8,352	-9,953	–8,352
Change in deferred tax	–20,595	–51,614	117	–468
Tax on profit/loss for the year	**–26,864**	**–59,966**	**–9,837**	**–8,820**
Applicable tax rate for the Parent Company, %	22.0	22.0	22.0	22.0
Difference between the Group's tax reported in the Income Statement and tax based on applicable tax rate				
Profit/loss before tax	101,954	1,192,701	13,241	951,259
Tax at applicable tax rate for the Parent Company	–22,430	–262,394	–2,913	–209,277
Tax effect of non-deductible costs	–2,089	–1,151	–7,574	–12,771
Tax effect of non-taxable income	836	385	26	0
Effect of foreign tax rates	–17	–21	–18	–21
Adjustment of tax in respect of previous years	643	0	643	0
Utilisation of loss carry-forwards not previously capitalised	0	213,249	0	213,249
Tax effect of deficits for which tax receivables are not recognised	–3,807	–10,034	0	0
Reported tax	**–26,864**	**–59,966**	**–9,837**	**–8,820**

Note 11 cont.

Deferred tax recognised in the Balance Sheet refers to the following:

Deferred tax	Receivable	Liability	Net
Deferred tax receivable			
Capitalised loss carry-forward	28,557	0	28,557
Intangible fixed assets	0	31,607	–31,607
Untaxed reserves	0	27,373	–27,373
Share-related incentive plans	0	351	–351
Closing balance	**28,557**	**59,331**	**–30,774**

Changes in deferred tax for the period:

The Group Deferred tax receivable	On 31 Dec. 2014	Operation acquired	Operation sold	Recognised in profit/loss	On 31 Dec. 2015
Capitalised loss carry-forward	45,706	–	–	–17,150	28,557
Total deferred tax receivable	**45,706**	**–**	**–**	**–17,150**	**28,557**
Deferred tax liability					
Temporary differences relating to:					
Intangible assets	27,918	–	–	3,689	31,607
Total deferred tax liability	**27,918**	**–**	**–**	**3,689**	**31,607**
Deferred tax liability					
Untaxed reserves	27,500	–	–	–127	27,373
Total deferred tax liability	**27,500**			**–127**	**27,373**
Deferred tax liability					
Share-related incentive plans	468			–117	351
Total deferred tax liability	**468**			**–117**	**351**
Net deferred tax liability	**–10,175**	**–**	**–**	**–20,595**	**–30,774**

Parent Company Deferred tax liability	On 31 Dec. 2014	Operation acquired	Operation sold	Recognised in profit/loss	On 31 Dec. 2015
Share-related incentive plans	468	–	–	–117	351
Total deferred tax liability	**468**	**–**	**–**	**–117**	**351**
Net deferred tax liability	**468**	**–**	**–**	**–117**	**351**

At the year-end, the total accumulated taxable loss of the Group was SEK 581 million (SEK 625 m), of which SEK 130 million (SEK 208 m) has been capitalised. The remaining loss comprises primarily losses within the subsidiary companies, Medivir UK Ltd and BioPhausia AB. There is no time restriction on the utilisation of capitalised loss carry-forwards.

Note 12 Earnings per share

	THE GROUP	
SEK k	**2015**	**2014**
Basic earnings per share, SEK[1)]	2.59	36.24
Diluted earnings per share, SEK[2)]	2.56	35.90
Net profit/loss for the year, SEK k	75,090	1,132,735
Average number of shares, '000	29,048	31,260

Earnings per share have been calculated as the net profit/loss for the year divided by the average number of shares during the year.

[1)] Basic earnings per share – the profit/loss after financial items less the tax expense for the period divided by the average number of shares.
[2)] Diluted earnings per share – the profit/loss after financial items less the tax expense for the period divided by the average number of shares and outstanding share warrants, adjusted for any dilution effect.

Note 13 Intangible fixed assets

2015, SEK k	THE GROUP Product rights	Goodwill	Capitalised R&D expenditure	Other	PARENT COMPANY Product rights	Capitalised R&D expenditure	Other
Cost at beginning of the year	335,672	150,420	21,373	4,843	3,798	21,373	4,843
Additions	0	0	5,366	4,680	0	5,366	4,680
Sales and disposals	0	0	–5,366	0	0	–5,366	0
Exchange rate differences	0	0	–1	0	0	–1	0
Accumulated cost at year-end	335,672	150,420	21,372	9,523	3,798	21,372	9,523
Amortisation at beginning of the year	–79,456	0	–2,137	–2,984	–285	–2,137	–2,984
Amortisation for the year	–22,505	0	–445	–538	–380	–445	–538
Sales and disposals	0	0	0	0	0	0	0
Accumulated amortisation at year-end	–101,961	0	–2,582	–3,522	–665	–2,582	–3,522
Depreciation at beginning of the year	0	0	–10,045	0	0	–10,045	0
Depreciation for the year	–110	0	0	–748	0	0	–748
Accumulated depreciation at year-end	–110	0	–10,045	–748	0	–10,045	–748
Book value at year-end	**233,602**	**150,420**	**8,746**	**5,253**	**3,133**	**8,746**	**5,253**

2014, SEK k	THE GROUP Product rights	Goodwill	Capitalised R&D expenditure	Other	PARENT COMPANY Product rights	Capitalised R&D expenditure	Other
Cost at beginning of the year	335,562	150,420	14,479	3,092	3,798	14,479	3,092
Additions	0	0	6,895	1,751	0	6,895	1,751
Sales and disposals	0	0	0	0	0	0	0
Exchange rate differences	0	0	0	0	0	0	0
Accumulated cost at year-end	335,562	150,420	21,373	4,843	3,798	21,373	4,843
Amortisation at beginning of the year	–57,046	0	–1,694	–2,688	0	–1,694	–2,688
Amortisation for the year	–22,410	0	–442	–296	–285	–442	–296
Sales and disposals	0	0	0	0	0	0	0
Accumulated amortisation at year-end	–79,456	0	–2,137	–2,984	–285	–2,137	–2,984
Depreciation at beginning of the year	0	0	–10,045	0	0	–10,045	0
Depreciation for the year	0	0	0	0	0	0	0
Accumulated depreciation at year-end	0	0	–10,045	0	0	–10,045	0
Book value at year-end	**256,107**	**150,420**	**9,192**	**1,859**	**3,513**	**9,192**	**1,859**

Product rights
The product rights relate to the acquisition of the product portfolio of proprietary products from the acquisition of BioPhausia AB. The addition for the previous year refers to the acquisition of the rights to Adasuve.

Amortisation of the product portfolio is effected linearly over the estimated useful life of 15 years. Adasuve is amortised over the estimated useful life of 10 years.

IB 2015 has been adjusted by SEK 109 thousand for both historical costs and depreciation effected in respect of Goodwill from the purchase in 2011 of Product rights for Portfolio 1 in BioPhausia AB.

Goodwill
Goodwill relates to the acquisition of BioPhausia AB. Goodwill has an indefinite useful life and is subject to annual impairment testing.

Capitalised research and development expenditure
Capitalised expenditure for research and development work relates both to capitalised development expenditure for Xerclear and to antiviral research programmes acquired.

The useful life for Xerclear is based on the lifetime of the underlying patent and is 10 years. Amortisation is effected linearly in order to distribute the development costs in line with the estimated useful life.

Amortisation of other intangible assets acquired, such as development projects, is effected linearly over the useful life and is linked to the lifetime of patents obtained.

Antiviral research programmes acquired were amortised in 2013 to the tune of SEK 10,045 thousand as they were not adjudged to have any remaining value and no additional resources are being invested in the further development of the research programme acquired.

Note 13 cont.

Other
Other intangible assets relates to capitalised development expenditure on ERP systems. The useful life is estimated at 5 years, during which time the booked asset is amortised in line with this assessment.

Impairment testing
Intangible assets with an indefinite useful life are subject to impairment testing at least once every year. Assets depreciated or amortised according to plan are subject to impairment testing whenever events or changes in circumstances indicate that their carrying amount is not recoverable.

The table below illustrates the carrying amount for goodwill, allocated by cash-generating unit:

SEK k	2015	2014
Pharmaceuticals	150,420	150,420

The present value of anticipated future cash flows is calculated for every cash-generating unit in conjunction with impairment testing.

Future cash flows are based both on the budget adopted by the Board of Directors and current trends. The budget adopted is based on a large number of detailed assumptions regarding growth in volume, exchange rates, expense development, etc. The budget is also based on the expertise of the management and other key individuals within the organisation, and on historic trends and projections.

The forecast for the period pursuant to the yearly budget and onwards is based on the management's long-term projections, which cover five years. It is based on several overall assumptions regarding the development of the economy, volume growth, competition, exchange rates, expense development, etc. The calculations and forecasts are based both on supporting data drawn from external sales statistics and from internal trend analyses. This input, together with the management's experience, estimated forecasts, business plans and existing supplier agreements, has formed the basis for the estimates.

The average growth rate after the forecast period of 5 years is set at 2 per cent (2%) in line with anticipated inflation.

WACC
The discount rate applied has been calculated as the WACC (weighted average cost of capital) and totals 10.3 per cent (9.5%) before tax. The discount interest rate is based on a market assessment of the average capital cost, taking into account the estimated prevailing risk level. The return on equity requirement is based on assumptions with regard to the risk-free interest rate, market risk premium, and beta value.

Sensitivity analysis
Sensitivity analyses are carried out in order to analyse the way in which changes in WACC and estimated growth rates affect the estimated value in use of the cash-generating units.

The sensitivity analysis shows that even if the significant parameters change, a significant surplus value still exists..

Note 14 Tangible fixed assets

SEK k	THE GROUP		PARENT COMPANY	
Buildings and land[1)]	**2015**	**2014**	**2015**	**2014**
Cost at beginning of the year	4,245	4,232	4,245	4,232
Sales and disposals	0	13	0	13
Capital expenditure	0	0	0	0
Accumulated cost at year-end	4,245	4,245	4,245	4,245
Depreciation at beginning of the year	–3,158	–2,945	–3,158	–2,945
Sales and disposals	0	0	0	0
Depreciation for the year	–217	–212	–217	–212
Accumulated depreciation at year-end	–3,375	–3,158	–3,375	–3,158
Book value at year-end	**870**	**1,087**	**870**	**1,087**

[1)] The value of the Group's buildings corresponds to the incurred cost of improvements to rental properties.

	THE GROUP		PARENT COMPANY	
Equipment, tools, fixtures and fittings	**2015**	**2014**	**2015**	**2014**
Cost at beginning of the year	128,054	158,774	117,291	147,142
Reclassification	0	0	0	0
Capital expenditure	10,040	8,916	10,040	8,916
Sales and disposals	–9,402	–39,636	0	–38,768
Exchange rate difference	0	0	0	0
Accumulated cost at year-end	128,692	128,054	127,331	117,291
Depreciation at beginning of the year	–102,267	–132,103	–91,823	–121,137
Depreciation for the year	–10,425	–9,836	–10,329	–9,506
Sales and disposals for the year	9,402	39,673	0	38,820
Exchange rate differences	11	0	10	0
Accumulated depreciation at year-end	–103,279	–102,267	–102,142	–91,823
Book value at year-end	**25,414**	**25,788**	**25,189**	**25,468**

Financial leasing
Tangible fixed assets include leasing objects held through financial leases as shown below:

	THE GROUP		PARENT COMPANY	
Equipment, tools, fixtures and fittings	**2015**	**2014**	**2015**	**2014**
Cost	266	266	266	266
Accumulated depreciation	–266	–266	–266	–266
Book value at year-end	**0**	**0**	**0**	**0**
Future minimum lease payments have the following due dates:				
Within 1 year	–	–	–	–
Between 1 and 5 years	–	–	–	–

Note 15 Participations in Group companies

	PARENT COMPANY	
SEK k	**2015**	**2014**
Opening cost	727,898	676,527
Shareholders' contributions made	23,457	51,371
Closing accumulated cost	**751,355**	**727,898**
Opening depreciation	–123,686	–72,315
Depreciation for the year	–23,457	–51,371
Closing accumulated depreciation	**–147,143**	**–123,686**
Book value at year end	**604,212**	**604,212**

Subsidiary company:	**Corporate ID no.**	**Registered office**	**Number of shares**	**Share of capital**	**Book value, 2015**	**Book value, 2014**
Biophausia AB[1)]	556485–0153	Stockholm	342,564,194	100	604,112	604,112
Medivir UK Ltd	3496162	Essex, UK	2,000,007	100	0	0
Medivir Personal AB	556598–2823	Huddinge	1,000	100	100	100
Total					**604,212**	**604,212**

Medivir HIV Franchise AB was divested in 2014.

[1)] Holdings in Biophausia AB:

Oy Cross Pharma AB	1896628–4	Finland	1,000	100
Glycovisc BioTech AB	556535–0005	Stockholm	5,000	100
Medivir A/S	30587014	Denmark	5,000	100
Medivir OY	2012608–1	Finland	1,000	100

Note 16 Financial assets held for sale

	THE GROUP		PARENT COMPANY	
SEK k	**2015**	**2014**	**2015**	**2014**
Epiphany Biosciences				
Opening book value	14,165	14,165	14,165	14,165
Accumulated impairment loss	–14,165	–14,165	–14,165	–14,165
Closing book value	0	0	0	0
Presidio Pharmaceuticals Inc.				
Opening book value	4,628	4,628	4,628	4,628
Accumulated impairment loss	–4,628	–4,628	–4,628	–4,628
Closing book value	0	0	0	0
Total	**0**	**0**	**0**	**0**

In 2012, valuations carried out by independent parties showed that the market value was significantly lower than the carrying amount. The value impairment was adjudged to be significant and lasting and the holdings in Epiphany and Presidio were accordingly impaired to SEK 0. Testing of fair value did not give rise to any changes in value in 2015. As of 2014, gross values in respect of the opening book value and accumulated impairment losses are reported as totals per share holding.

Note 17 Other long-term receivables

	THE GROUP		PARENT COMPANY	
SEK k	**2015**	**2014**	**2015**	**2014**
Opening book value	2,500	10,001	0	0
Acquisitions for the year	0	0	0	0
Impairment for the year	0	–1	0	0
Reclassification to current receivables	–2,500	–7,500	0	0
Closing book value	**0**	**2,500**	**0**	**0**

Note 18 Inventories

	THE GROUP		PARENT COMPANY	
SEK k	**2015**	**2014**	**2015**	**2014**
Finished goods	18,696	23,609	2,307	3,608
Raw material inventories	0	0	0	0
Goods in repackaging	0	0	0	0
Total	**18,696**	**23,609**	**2,307**	**3,608**

Impairment of inventories totals SEK 342 thousand (SEK 575 k). The impairment has been charged to Cost of goods sold.

Cost of goods sold includes the cost of goods of SEK -73,679 thousand (SEK –76,452 k) for the Group.

Note 19 Prepaid costs and accrued income

	THE GROUP		PARENT COMPANY	
SEK k	**2015**	**2014**	**2015**	**2014**
Prepaid rent	5,345	4,173	2,451	2,489
Licensing fees	3,272	4,122	3,272	4,122
Accrued royalty income	31,553	220,440	31,553	220,440
Service agreements	0	44	0	44
Connection to external databases	0	1,218	0	0
Repairs and Maintenance	1,046	0	1,046	0
Trade literature and publications	2,342	0	2,342	0
Insurance	1,139	0	1,137	0
Other items	290	2,381	271	0
Total	**44,985**	**232,378**	**42,072**	**229,732**

Note 20 Other short-term investments and cash equivalents

	THE GROUP		PARENT COMPANY	
SEK k	**2015**	**2014**	**2015**	**2014**
Fixed income and bond funds	860,416	1,309,583	860,416	1,309,583
Cash and bank balances	217,525	86,038	80,924	43,329
Total	**1,077,942**	**1,395,621**	**941,340**	**1,352,911**

Note 21 Interest-bearing liabilities

	THE GROUP		PARENT COMPANY	
SEK k	**2015**	**2014**	**2015**	**2014**
Long-term interest-bearing liabilities				
Bank loans	0	0	0	0
Total long-term interest-bearing liabilities	**0**	**0**	**0**	**0**
Current interest-bearing liabilities, SEK k				
Bank loans	0	40,000	0	40,000
Total current interest-bearing liabilities	**0**	**40,000**	**0**	**40,000**

Note 22 Accrued costs and deferred income

	THE GROUP		PARENT COMPANY	
SEK k	**2015**	**2014**	**2015**	**2014**
Accrued holiday pay	12,913	17,113	12,699	16,899
Restructuring costs	8,843	14,938	8,843	14,938
Accrued research costs	4,807	6,200	4,127	2,479
Deferred rental income	2,446	4,604	0	0
Accrued social security contributions	7,650	3,871	7,628	3,850
Deferred royalty payments	6,932	20,837	6,932	20,837
Accrued product costs	533	0	533	–
Deferred performance-related pay	10,238	8,511	10,283	8,511
Deferred property costs	905	0	905	0
Other items	11,443	8,265	10,361	7,058
Total	**66,709**	**84,339**	**62,311**	**74,570**

Note 23 Pledged assets

	THE GROUP		PARENT COMPANY	
SEK k	**2015**	**2014**	**2015**	**2014**
Floating charges	54,250	54,250	0	0
Total	**54,250**	**54,250**	**0**	**0**

Note 24 Untaxed reserves

	THE GROUP		PARENT COMPANY	
SEK k	**2015**	**2014**	**2015**	**2014**
Allocation to tax allocation reserve	–	–	15,710	0
Excess depreciation	–	–	22,210	0
Total	**–**	**–**	**37,921**	**0**

Note 25 Events after the end of the financial year

Start of phase IIa study of MIV-711 for the treatment of knee osteoarthritis

In January 2016, Medivir commenced recruitment for a randomised, double-blind phase IIa clinical study to evaluate the effect of treatment with Medivir's in-house developed cathepsin K inhibitor, MIV-711, in patients with moderate knee osteoarthritis.

The study will enrol 240 patients into 3 arms, each with approximately 80 patients, and compare MIV-711 dosed at 100mg or 200mg once daily against placebo. The key objectives are to assess the effect of six months of treatment with MIV-711 on knee joint clinical pain and on knee OA, assessed using magnetic resonance imaging, as well as the safety and tolerability of MIV-711. Timing of data from the study is on schedule and the material is expected to be available in the third quarter of 2017.

The Nomination Committees' proposal for a new Board of Directors ahead of 2016 AGM

The composition of the 2015-2016 Nomination Committee was as follows:

Maria Rengefors, Chairman of the Nomination Committee, representing Nordea Fonder

Anders M Hallberg, representing HealthInvest Partners AB

Bo Öberg, representing the class A shareholders

Birgitta Stymne Göransson, Chairman of the Board of Medivir AB

The Nomination Committee has agreed, ahead of the upcoming 2016 Annual General Meeting, to propose that a new Board of Directors be appointed by means of the re-election of the Board's existing Members, namely Anders Ekblom, Anders R Hallberg, Johan Harmenberg, Helena Levander and Anna Malm Bernsten, and the new election of one Member, namely Thomas Axelsson. The Committee also proposes the election of Anna Malm Bernsten as Chairman of the Board.
Bertil Samuelsson and Birgitta Stymne Göransson have declined re-election.

Attestation

The Board of Directors and the Chief Executive Officer hereby attest that the Consolidated Accounts have been prepared in accordance with the IFRS international financial reporting standards, as adopted by the EU, and that they present a true and fair view of the Group's financial position and results of operations.

The Annual Accounts have been prepared in accordance with generally accepted accounting principles and provide a true and fair view of the Parent Company's financial position and results of operations. The Directors' Report for the Group and the Parent Company provides a true and fair view of the development of the Group's and the Parent Company's operations, financial positions and results of operations and describe significant risks and uncertainty factors facing the companies included in the Consolidated Accounts.

Stockholm, 23 March 2016

Anders Ekblom Member of the Board	Anders R Hallberg Member of the Board	Johan Harmenberg Member of the Board
Helena Levander Member of the Board	Anna Malm Bernsten Member of the Board	Bertil Samuelsson Member of the Board
Birgitta Stymne Göransson Chairman of the Board	Susana Ayesa Alvarez Member of the Board, Employee Representative	Veronica Werlinder Member of the Board, Employee Representative

Niklas Prager
President & CEO

Our Audit Report was submitted on 1 April 2016
PricewaterhouseCoopers AB

Hans Jönsson
Authorised Public Accountant

Auditor's report

To the annual meeting of the shareholders of Medivir AB, corporate identity number 556238-4361

Report on the annual accounts and consolidated accounts
We have audited the annual accounts and consolidated accounts of Medivir AB for the year 2015, except for the corporate governance statement on pages 31-39. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 25-72.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts
The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards , as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 31-39. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Medivir AB for the year 2015. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement on pages 31-39, has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility
Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions
We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm, 1 April 2016

PricewaterhouseCoopers AB

Hans Jönsson
Authorized Public Accountant

Key ratios

The Group	2015	2014	2013	2012	2011	2010
EBITDA, SEK k	154,999	1,221,925	76,389	–165,254	134,151	–128,851
EBIT, SEK k	114,765	1,188,731	25,164	–201,331	112,051	–136,726
Operating margin, %	17.4	67.3	5.6	–118.0	21.9	–222.2
Profit margin, %	15.5	67.5	6.2	–123.5	21.9	–218.1
Debt/equity ratio, multiple	0.0	0.0	0.0	0.1	0.2	0.0
Return on:						
shareholders' equity, %	5.9	84.1	3.2	–21.4	13.8	–35.3
capital employed, %	5.3	80.6	3.3	–17.6	14.0	–35.2
total capital, %	5.9	75.2	3.3	–16.6	12.3	–28.8
Equity/assets ratio, %	89.7	90.8	85.7	81.3	80.7	83.7
Average number of shares, '000	29,048	31,260	31,260	31,257	29,924	24,718
Number of shares at year-end, '000	26,966	31,260	31,260	31,260	31,254	28,593
Earnings per share, SEK						
Basic earnings per share, continuing operations	2.59	36.24	0.51	–7.49	3.75	–5.43
Diluted earnings per share, continuing operations	2.56	35.90	0.51	–7.49	3.84	–5.43
Basic and diluted earnings per share, discontinued operations	–	–	–1.19	–	–	–
Basic earnings per share, all operations	2.59	36.24	–0.68	–7.49	3.75	–5.43
Diluted earnings per share, all operations	2.56	35.90	–0.68	–7.49	3.84	–5.43
Equity per share, before and after dilution, SEK[1)]	54.04	63.42	27.27	27.99	35.05	21.24
Net worth per share, before and after dilution, SEK[1)]	54.04	63.42	27.27	27.99	35.05	21.24
Cash flow per share from operating activities, SEK	10.58	32.45	1.38	–4.47	1.91	–3.11
Cash flow per share after investments, SEK	10.06	31.88	4.93	–4.69	–4.26	–3.34
Cash flow per share after financing activities, SEK	–10.99	31.88	3.37	–7.66	–3.71	20.39
Dividend per share, SEK	0	0	0	0	0	0
Number of outstanding share warrants	238,254	294,486	249,110	394,400	712,507	803,647
Capital employed	1,480,882	2,032,778	955,470	963,537	1,095,576	607,254
Research and development costs/operating expenses, %	64	61	66	65	53	80

[1)] IAS 33 states that potential ordinary shares do not give rise to any dilution effect when their conversion to ordinary shares entails an improvement in earnings per share, which would be the case in conjunction with an exercise of the outstanding share warrants in Medivir.

– = not applicable

Six-year summary

The Group, SEK k	2015	2014	2013	2012	2011	2010
INCOME STATEMENTS[1]						
Net sales	657,889	1,766,989	446,146	170,647	512,626	54,912
Cost of goods sold	–109,283	–174,018	–71,771	–61,315	–70,636	–770
Selling expenses	–98,356	–103,578	–70,486	–47,727	–84,749	–9,517
Administrative expenses	–60,327	–62,518	–51,867	–59,690	–38,105	–29,533
Research and development costs	–278,375	–245,754	–229,430	–203,352	–184,064	–153,398
Other operating income	17,620	15,223	6,347	4,607	14,658	7,852
Other operating expenses	–14,403	–7,612	–3,775	–4,501	–34,791	–6,273
Operating profit/loss	114,765	1,188,731	25,164	–201,331	114,938	–136,727
Profit/loss from financial investments	–12,811	3,970	2,470	–9,441	25	2,499
Profit/loss after financial items	101,954	1,192,701	27,633	–210,772	114,963	–134,228
Tax	–26,864	–59,966	–11,619	–23,325	4,910	0
Profit/loss after tax	75,090	1,132,735	16,014	–234,098	119,873	–134,228

	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010
BALANCE SHEETS						
Intangible fixed assets	398,022	417,577	432,080	514,389	528,994	4,348
Tangible fixed assets	26,283	26,875	27,958	36,070	35,621	24,811
Financial fixed assets	0	2,500	10,001	–	9,659	18,793
Deferred tax receivable	0	0	43,187	49,238	78,385	–
Inventories and current receivables	114,008	341,317	80,025	179,771	167,833	30,299
Cash and cash equivalents[2]	1,077,942	1,395,621	402,220	296,727	536,279	647,240
Equity	1,450,109	1,982,604	852,587	874,880	1,095,576	607,254
Long-term, interest-bearing liabilities	0	0	40,000	40,000	70,041	116
Long-term, non-interest-bearing liabilities	351	468	0	448	610	0
Current liabilities	165,795	201,286	102,883	160,867	190,545	118,121
Balance Sheet total	1,616,255	2,183,891	995,470	1,076,195	1,356,772	725,491

[1] As of 2010, the Income Statements are classified by function, while the Income Statements for 2008 and 2009 are classified by cost type. For details of the cost type breakdown, see Note 2. The increase in cash and cash equivalents in 2010 was due to, amongst other things, new share issues in Medivir AB in Q2 and Q4 of 2010.
[2] Revenues from pharmaceutical sales via the BioPhausia operations acquired are included from 1 June 2011.
– = not applicable

Definitions

Average number of shares
The unweighted average number of shares during the year.

Basic earnings per share
Profit/loss after financial items less full tax divided by the average number of shares.

Capital employed
Balance Sheet total less noninterest-bearing liabilities including deferred tax liabilities.

Cash flow per share
Cash flow divided by the average number of shares.

Debt/equity ratio
Interest-bearing liabilities divided by shareholders' equity.

Diluted earnings per share
Earnings per share after financial items less full tax divided by the aver-age number of shares and outstanding share warrants adjusted for any dilution effect.

EBIT
Profit/loss before financial items and tax.

EBITDA
Operating profit/loss before depreciation and amortisation, financial items and tax.

Equity/assets ratio
Shareholders' equity in relation to the Balance Sheet total.

Net worth per share
Shareholders' equity plus hidden assets in listed shares divided by the number of shares at the period-end.

Operating margin
Operating profit/loss as a percentage of net sales.

Profit margin
Profit/loss after financial items as a percentage of net sales.

Return on capital employed
Profit/loss after financial items plus financial expenses as a percentage of average capital employed.

Return on equity
Profit/loss after financial items as a percentage of average equity.

Return on total capital
Profit/loss after financial items plus financial expenses as a percentage of the average Balance Sheet total.

Shareholders' equity
The sum of non-restricted and restricted equity at the year-end. Average shareholders' equity has been calculated as the sum of the opening and closing shareholders' equity balances, divided by two.

Shareholders' equity per share
Shareholders' equity divided by the number of shares at the period-end.

Tax cost for the year
The sum of current and deferred tax, taking into account changes in temporary differences and loss carry- forwards.

Glossary

Antiviral
Effective against viruses.

Biomarker
A biological or chemical marker which suggests that a pharmaceutical substance may have an effect on a disease.

Candidate drug (CD)
Substance selected for further development to clinical trials.

Cirrhosis of the liver
Atrophy of the liver that results in the liver tissue gradually being destroyed and replaced by fibrous scar tissue.

Clinical studies
Trials of pharmaceutical substances on human subjects.

Collagen
Fibre protein, a collective name for the most common fibrous component of all tissue outside the actual cell. Collagen makes up almost 30% of the body's total protein.

Enzyme
A protein molecule responsible for chemical reactions in animal and plant cells. It happens quickly and very precisely and the actual enzyme is not consumed. Polymerases and proteases are both enzymes.

Genotype
An organism's precise genetic properties (its genome), usually in the form of DNA. For HCV, genotype 1a is the most common in North America while 1b is the most common in Europe.

Hepatitis C/HCV
Jaundice caused by the human hepatitis C virus (HCV).

HIV (Human Immunodeficiency Virus)
Virus which damages the immune system, leading to AIDS.

Interferon
An endogenous protein with an antiviral effect.

Janssen
The collective name given in this report to those companies within the Johnson & Johnson corporate group with which Medivir has agreements, such as Tibotec Pharmaceuticals Ltd, Ortho Biotech Products LP, Centocor Ortho Biotech Products LP and Janssen Pharmaceuticals.

Metastasis (secondary growth)
A tumour that has spread to organs other than the one in which the primary growth or tumour is located.

Monoclonal
Something is said to be monoclonal when it relates to a group of genetically identical cells.

Nucleoside analogue
Chemical variants of the nucleosides that build up genetic material.

Nucleotide
A nucleoside with one or more phosphate groups.

Pharmacokinetics
The study of the metabolism of pharmaceuticals by the human body.

Pharmacovigilance
The science of and activities in relation to the identification, evaluation, understanding and counteracting of side effects or other pharmaceutical- related problems.

Polymerase
A type of enzyme that copies the genetic material (genes) in, for example, a virus.

Protease
An enzyme that can cleave proteins into smaller units.

Replication
The process that duplicates the DNA molecule during cell division so that a copy of the molecule ends up in every daughter cell. Propagation, e.g. with regard to viruses which develop the ability, inside their host cell, to enter a replication phase (propagation phase).

Ribavirin
A synthetic nucleoside analogue.

Systemic toxicity
A toxic effect that spreads throughout an entire organ system, usually throughout the body, in contrast to a more local effect, e.g. on an individual organ.

Financial glossary

IAS (International Accounting Standards)
See IFRS.

IFRS (International Financial Reporting Standards)
New accounting rules adopted by the EU. The rules are designed to facilitate comparability between annual accounts in Europe. Listed companies have been obliged, since 1 January 2005, to comply with these rules.

Milestone payments
Payments as contractual goals are achieved.

Option
Right to buy shares in the future.

Pre-emption
If a holder of a class A share wishes to sell those shares, they shall be offered to other holders of class A shares first.

Royalty
Remuneration, often a percentage, for sales of a product (pharmaceutical).

SEK k
Swedish kronor in multiples of 1,000.

SEK m
Swedish kronor in multiples of 1,000,000.

Share issue
Issuance of new shares in order to obtain new capital.

Volatility
Variability.

Shareholder information

Financial calendar, 2016

- Q1 Interim Report January-March, publishing date 28 April.
- Q2 Interim Report January-June, publishing date 17 August.
- Q3 Interim Report January-September, publishing date 10 November.

The reports will be available on Medivir's website, www.medivir.se, under the heading, Investor Relations, as of these dates.

Medivir's printed reports are distributed to those shareholders who request them.

For additional information on Medivir, please contact Ola Burmark, CFO.
Tel: +46 (0)8 407 64 70
ola.burmark@medivir.com

2016 Annual General Meeting

The Annual General Meeting will be held at
the "7A Centralen" conference facility at Vasagatan 7, Stockholm, Sweden at 14.00 (CET) on Tuesday, 3 May.

Shareholders wishing to attend the Annual General Meeting shall:

- be entered in the register of shareholders maintained by Euroclear Sweden AB no later than 27 April 2016,
- notify the company of their intention to attend, stating their name, address and telephone number, either by letters in the post to:
  Medivir AB, Blasieholmsgatan 2, SE-111 48 Stockholm, Sweden
  or by telephone: +46 (0)8 407 64 30
  or by email: enter@medivir.se
  no later than 27 April 2016.

PLEASE NOTE:
Important information regarding nominee-registered shares
Shareholders whose shares are nominee-registered must, in order to be entitled to attend the Annual General Meeting, temporarily re-register their shares in their own names with Euroclear Sweden AB. Shareholders wishing to effect such re-registration must inform their nominee thereof in good time before 27 April 2016.

For full details of the 2016 Annual General Meeting, please see the convening notice on the website, www.medivir.com.

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Blasieholmsgatan 2, S-111 48 Stockholm Sweden, Visiting address: Hovslagargatan 5,
phone +46 8 407 64 30, info@medivir.se, www.medivir.com