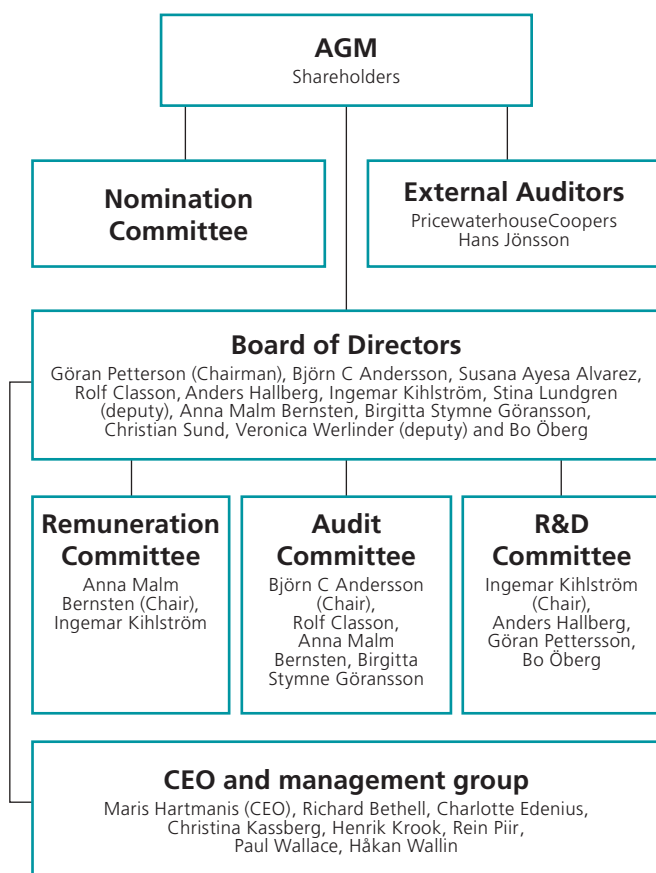


Corporate Governance Report



The chart above reflects the current situation on 31 December 2013.

The Medivir Group comprises eight companies with sales in three countries. The Parent Company of the Group is the Swedish public limited company, Medivir AB, whose shares are quoted on the Nasdaq OMX 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.

The figure above illustrates Medivir's corporate governance model and the way in which the central bodies operate.

External regulations

As a Swedish public limited company with securities quoted on the Nasdaq OMX Stockholm Stock Exchange, Medivir is obliged to comply with a variety of different regulations that impact on the company's governance. The most important external regulations include:

- The Swedish Companies Act
- Accounting regulations
- The Nasdaq OMX Stockholm Stock Exchange's Rules for Issuers
- The Swedish Code of Corporate Governance

Regulatory compliance

In December 2013, the Nasdaq OMX Stockholm Stock Exchange's Disciplinary Committee imposed disciplinary sanctions on Medivir in the form of a fine. The Committee held that Medivir had neglected its obligations in accordance with the Exchange's Rulebook for Issuers in two ways: firstly, by not publishing information from a research conference sufficiently quickly, despite the information having leaked in advance in a way that could, according to the Committee, have impacted the share price, and secondly, by having failed from time to time to comply with applicable regulations regarding certain information that shall, under certain circumstances, be provided in Medivir's press releases.

Compliance with the Swedish Code of Corporate Governance

Medivir has applied the Swedish Code of Corporate Governance 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 Code can be viewed on the website of the Swedish Corporate Governance Board, which is responsible for the administration of the Code (www.bolagsstyrning.se).

Internal regulations

Medivir has also established internal regulations in order to comply with legislative and regulatory provisions and with the high ethical standards that we have set for ourselves. These regulations include:

- The Articles of Association
- The Board of Directors' Rules of Procedure and the CEO Instructions
- The Board Committees' Rules of Procedure
- Guidelines for remuneration to senior executives
- The Financial Policy
- The IT Policy
- The Accounting and HR Manual
- The Code of Conduct

Significant events in 2013

A new Board of Directors was appointed at the 2013 Annual General Meeting of the company's shareholders through the re-election of Björn C Andersson, Rolf Classon, Ingemar Kihlström, Anders Hallberg, Anna Malm Bernsten and Göran Pettersson (Chairman) and the new election of Birgitta Stymne Göransson and Bo Öberg.

Richard Bethell joined the Group's management group in April in the capacity of Executive Vice President for Discovery Research, while Charlotte Edenius, formerly Executive Vice President for R&D, took over the position as Executive Vice President for Development. In August, Henrik Krook joined the Group's Management as Executive Vice President for Commercial.

Decision-making at shareholders' meetings

Medivir's shareholders exercise their right of decision at the Annual General Meeting and any Extraordinary General Meetings. Most of the decisions at the shareholders' meetings are taken with a simple majority. In some cases, however, the Swedish Companies Act prescribes that decisions shall be taken by a qualified majority.

Annual General Meeting

Shareholders exercise their control over the company at the Annual General Meeting or, if called, at Extraordinary General Meetings, which constitute Medivir's supreme decision-making body. The Annual General Meeting shall be held within six months of the end of the financial year. The items on the agenda of the Annual General Meeting for resolution shall include the election of the Board of Directors and the Chairman of the Board, the appointment of auditors, the adoption of Income Statements and Balance Sheets, the appropriation of the company's unappropriated earnings, and the discharge from liability for the Members of the Board and the CEO, the Nomination Committee and its work, and guidelines on remuneration for senior executives. Details of the company's previous Annual General Meetings can be found on Medivir's website, which also includes information on shareholders' entitlement to raise matters for consideration at the Annual General Meeting, and on when such requests for consideration should be received by Medivir.

2013 Annual General Meeting

The 2013 Annual General Meeting was held on 6 May 2013. 72 (78) shareholders attended the Meeting, either in person or through proxies, representing approximately 40.86 per cent (42.4%) of the votes. Attorney-at-Law, Erik Sjöman, was elected Chairman of the Meeting. All Members of the Board elected by the Meeting, with the exception of Anna Malm Bernsten, were present. The Minutes of the Meeting are available on Medivir's website. The matters resolved by the Meeting included:

- The re-election of Board Members Göran Pettersson, Björn C Andersson, Anna Malm Bernsten, Rolf Classon, Anders Hallberg and Ingemar Kihlström. The new election of two Board Members, Birgitta Stymne Göransson and Bo Öberg. The re-election of the Chairman of the Board, Göran Pettersson.

- The Directors' fees for the period until the next Annual General Meeting were maximised at SEK 2,605,000, divided between them as follows:

Chairman	470,000
Seven members (SEK 210,000 each)	1,470,000
Audit Committee (convening: SEK 80,000); three members (SEK 65,000 each)	275,000
Remuneration Committee (convening: SEK 65,000; one member: SEK 50,000)	115,000
R&D Committee (convening: SEK 80,000; three members: SEK 65,000 each)	275,000
Total	2,605,000

- SEK 20,000 shall, over and above their ordinary fee, be payable to Board Members resident outside Europe for every physical Board Meeting attended, up to an annual cap of SEK 100 000 per Member.
- The Auditor's fee for the period until the next Annual General Meeting shall, as before, be payable upon account.
- Guidelines for remuneration to senior executives.
- Procedures for the appointment of the Nomination Committee and its work.
- Authorisation of the Board of Directors on one or more occasions before the next Annual General Meeting, 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 authorisation¹⁾.
- The adoption of a long-term incentive programme for the employees of Medivir and the authorisation of the Board to issue warrants as a hedging measure for the long-term incentive programme.

1) The authorisation was not utilised in 2013.

2014 Annual General Meeting

Medivir's 2014 Annual General Meeting will be held on 8 May 2014 at the "7A Odenplan" conference centre at Norrtullsgatan 6 in Stockholm. Shareholders wishing to raise a matter for consideration by the Annual General Meeting must submit a written request to the Board of Directors in good time prior to the Meeting. See Medivir's website for further information.

Nomination Committee

The Nomination Committee procedure adopted at the 2013 Annual General Meeting entails the following:

- 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.
- That 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.
- That 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.

- That the Nomination Committee shall draw up proposals for the nomination and remuneration of the Board of Directors, the Chairman of the Board and, where relevant, auditors. It shall, furthermore, develop methods of appointing the Nomination Committee and its Chairman. The findings of the Nomination Committee shall be submitted to the Annual General Meeting for adoption. Shareholders may submit proposals to the Nomination Committee by means including emails to valberedning@medivir.se. The names of the shareholder representatives who make up the Nomination Committee shall be published no later than six months before the Annual General Meeting.

Members of the Nomination Committee

The current Nomination Committee comprises the Chairman of the Board and three members appointed by the three shareholders with the largest shareholdings on 30 September 2013:

- Anders Algotsson, Chairman and representative of AFA Försäkring
- Annelie Enquist, representative of Skandia Fonder
- Bo Öberg, founder and representative of the class A shareholders
- and Göran Pettersson, Chairman of the Board of Medivir

Nomination Committee ahead of the 2014 AGM

Name	Representing	Proportion of votes, % on 30 Sept. 2013
Bo Öberg	Class A shareholders	18.73
Anders Algotsson	AFA Försäkring	4.35
Annelie Enquist	Skandia Fonder	4.11
Göran Pettersson	Medivir's Board of Directors	0.06
Total		27.25

Nomination Committee duties

The duties of the Nomination Committee have changed over the years in order to comply with the requirements of the Swedish Code of Corporate Governance. 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 Annual General Meeting regarding the remuneration and fees payable to:

- Members of the Board who are not employed by the company and who are elected by the Annual General Meeting
- 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. The Nomination Committee is also tasked with proposing a candidate for election as Chairman of the Annual General Meeting.

The work of the Nomination Committee ahead of the 2014 Annual General Meeting

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 Annual General Meeting. 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

Attendance by the Members of the Board at meetings held in 2013¹⁾

Name	Elected	Born	Function	Board Meetings, Attendance/total number of Board Meetings	Remuneration Com- mittee, Attendance/ total number of Committee meetings	Audit Committee, Attendance/total number of Commit- tee meetings	R&D Committee, Attendance/total number of Commit- tee meetings
Björn C Andersson	2008	1946	Member	12 of 12		3 of 3	
Rolf Classon	2012	1945	Member	11 of 12		3 of 3	
Anders Hallberg ⁴⁾	2012	1945	Member	12 of 12			3 of 3
Ingemar Kihlström	2008	1952	Member	12 of 12	3 of 3		3 of 3
Anna Malm Bernsten	2006	1961	Member	11 of 12	3 of 3	3 of 3	
Göran Pettersson	2008	1945	Chairman	12 of 12			3 of 3
Birgitta Stymne Göransson ²⁾	2013	1957	Member	9 of 9		2 of 2	
Bo Öberg ^{2,5)}	2013	1939	Member	9 of 9			2 of 2
Susana Ayesa Alvarez ³⁾	2013	1970	Employee representative	2 of 3			
Christian Sund ³⁾	2013	1958	Employee representative	2 of 3			
Stina Lundgren ³⁾	2013	1979	Employee representative, deputy	2 of 3			
Veronica Werlinder ³⁾	2013	1966	Employee representative, deputy	2 of 3			

1) Members prevented from attending a Board Meeting have been afforded the opportunity to submit their views to the Chairman before the Meeting.

2) Appointed at the 2013 AGM.

3) Appointed 20 November 2013.

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

5) Not independent in relation either to the company and the company management or to the company's major shareholders.

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 13 March 2014. The Nomination Committee's full proposal for the 2014 Annual General Meeting was published in conjunction with the issue of the notice convening the Annual General Meeting.

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 work of the Board is regulated by means of, amongst other things, the Swedish Companies Act, the Swedish Code of Corporate Governance, the Articles of Association, and the Rules of Procedure adopted by the Board for its work. Medivir's Articles of Association are available on the company's website.

The Board of Directors manages and decides on Group-wide issues such as:

- Strategic orientation and significant objectives
- Significant issues in relation to financing, investment, 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 Board of Directors shall, in accordance with the Articles of Association, comprise a minimum of three and a maximum of ten Members and a maximum of two Deputy Members. The Members shall serve from the end of the Annual General Meeting at which they were elected until the end of the next Annual General Meeting. There is no limit on the number of consecutive periods during which a person may be a Member of the Board. The CEO may be elected to the Board but under the provisions of the Swedish Companies Act, a CEO of a public limited company may not be appointed Chairman of the Board.

The Board of Directors elected by the shareholders at the 2013 Annual General Meeting for the period until the end of the 2014 Annual General Meeting comprised eight Members and no Deputy Members, including the Chairman of the Board. The Board also includes two employee representatives, each with their own Deputy Members.

Neither the CEO, the CFO or the Secretary to the Board are Members of the Board, but do, however, attend the Board

Meetings with the exception of agenda items where a conflict of interest may arise or when it is otherwise inappropriate for them to be present, e.g. in conjunction with the appraisal of the work of the CEO.

See pages 50-51 for a description of the Members of the Board.

Independence

Several different types of independence requirement apply to the Board of Directors and its Committees. Medivir applies independence requirements taken from applicable Swedish legislation, the Swedish Code of Corporate Governance, and Nasdaq OMX's stock exchange rules.

The Nomination Committee evaluates the Board's independence ahead of the Annual General Meeting. The Board has been adjudged to fulfil the applicable requirements for independence. The evaluation of each Member of the Board's independence is presented in the table above. Anders Hallberg has been adjudged to be independent in relation to the company's major shareholders, but not independent in relation to the company and the company's management. Anders Hallberg is part of a consortium of people who, under the terms of an agreement with Medivir, are entitled to receive certain royalty payments on products that the company may develop, based on patented inventions previously acquired from the consortium. Bo Öberg is not independent in relation to the company and the company management, nor is he independent in relation to the company's major shareholders. Bo Öberg is the founder of the company and representative of the company's class A shareholders.

Rules of Procedure and Board Meetings

The Board of Directors adopts written Rules of Procedure every year in accordance with the provisions of the Swedish Companies Act, 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 Chief Executive Officer 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 Annual General Meeting. 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 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 Chairman represents Medivir on ownership issues.

The work of the Board of Directors in 2013

The Board of Directors has held 12 minuted Meetings in 2013. The attendance of the individual Members of the Board at these Meetings is shown in the table on page 45. 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 all 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 full-year financial statement, and the annual accounts
- Financial performance, financing issues and the Group's capital structure
- Announcements of clinical results and regulatory approvals for simeprevir
- Development of the project portfolio
- Transaction issues
- Partnerships and collaborations
- Strategic orientation

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 Remuneration Committee is appointed by the Board of Directors and shall comprise a maximum of four members. The 2013 Remuneration Committee has comprised Ingemar Kihlström and Anna Malm Bernsten (Chairman). The Committee is an advisory one 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 Annual General Meeting. The Committee reports continuously on its work to the Board of Directors.

The Remuneration Committee has held three minuted meetings in 2013. The attendance of individual Board Members is shown in the table on page 45. 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
- Reviews of proposals for a programme for long-term performance-related pay.

The Audit Committee

The Audit Committee is appointed by the Board of Directors and shall comprise a maximum of four members. The 2013 Audit Committee has comprised Björn C Andersson (Chairman), Rolf Classon, Anna Malm Bernsten and Birgitta Stymne. 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 three minuted meetings in 2013. The attendance of the respective Board Members is shown in the table on page 45. The CEO and CFO have 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 R&D Committee is appointed by the Board of Directors and shall comprise a maximum of five members. The 2013 R&D Committee has comprised Anders Hallberg, Ingemar Kihlström (Chairman), Göran Pettersson and Bo Öberg. Professor Bertil Samuelsson, Medivir's "Chief Scientific Advisor", was also a member of 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 the strategic orientation of the R&D portfolio. 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 three minuted meetings in 2013. 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 45. The Committee has largely focused on 6-monthly reviews and evaluations of the R&D portfolio.

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. At the beginning of 2013, the Group management comprised seven people (two women and five men) and at the end of the year, it comprised eight people (two women and six men). 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 page 52.

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.

Goals are updated for the year ahead on the basis of the annual strategic work. Goals are communicated throughout the organisation. The goals are a management tool used to adapt the goals of the operating units and employees in line with the company's goals and to monitor goal fulfilment and identified risks.

Election of Auditors

The duties of the Nomination Committee include proposing an auditor to the Annual General Meeting.

PricewaterhouseCoopers AB (PwC) was appointed as the company's external auditors for a one-year period up to and including the 2014 Annual General Meeting. 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-Charge attends the Annual General Meeting 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 only to the extent that is compatible with the provisions of the Swedish Audit Act and the professional ethics guidelines issued by FAR (Sweden's professional institute for authorised public accountants) with regard to the impartiality and independence of auditors.

Remuneration to the Board of Directors and senior executives

Remuneration principles

Remuneration principles for senior executives of Medivir are determined by the Annual General Meeting. The term, senior executives, refers to the CEO and other members of the management group. The Nomination Committee's proposed guide-

Remuneration to senior executives (SEK 000)^{1,2)}

Function	Year	Fixed salary	Performance-related pay	Severance pay	Benefits	Total	Pension	Total incl. pension
CEO	2013	3,462	1,321	–	98	4,881	1,218	6,099
	2012	3,344	990	–	85	4,419	1,184	5,603
Other senior executives	2013	9,133	1,982	1,104	433	12,653	2,053	14,706
	2012	9,080	1,257	1,860	530	12,727	2,313	15,040
Total	2013	12,595	3,303	1,104	531	17,534	3,271	20,805
	2012	12,424	2,247	1,860	615	17,146	3,497	20,643

1) At the beginning of 2013, the management group, including the CEO, comprised 7 people. At the end of the year, it comprised 8 people.

2) At the beginning of 2012, the management group, including the CEO, comprised 8 people. At the end of the year, it comprised 7 people.

Directors' fees (SEK 000)^{1), 5)}

Name	Function	Director's fees		Audit Committee		Remuneration Committee		R&D Committee		Total	
		2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Björn C Andersson	Member	210	210	80	80	–	–	–	–	290	290
Rolf Classon	Member	210	210	65	65	–	–	–	–	275	275
Anders Hallberg ²⁾	Member	210	210	–	–	–	–	65	65	275	275
Ingemar Kihlström	Member	210	210	–	–	50	50	80	80	340	340
Anna Malm Bernsten ³⁾	Member	210	210	65	65	65	65	–	–	340	340
Göran Pettersson	Chairman	470	470	–	–	–	–	65	65	535	535
Birgitta Stymne	Member	210	–	65	–	–	–	–	–	275	–
Bo Öberg ⁴⁾	Member	175	–	–	–	–	–	65	–	240	–
Total		1,905	1,520	275	210	115	115	275	210	2,570	2,055

1) Remuneration to the Board of Directors for the period from May 2013 to April 2014 and for the period from May 2012 to April 2013, SEK thousands. The fee payable to Members of the Board elected by the Annual General Meeting is determined by the Annual General Meeting in line with proposals by the Nomination Committee. Remuneration has been paid as shown in the above table in 2013 and 2012. The remuneration does not include travel expenses.

2) Pursuant to an earlier agreement, royalties have, in addition to Directors' fees, been paid to Uppsala Hallbechem AB in the sum of SEK 1,903,000 (-).

3) Consultancy fees, approved by the Board of Directors, have, in addition to Directors' fees, been paid to Bernsten Konsult AB in the sum of SEK 72,000 (SEK 414,000).

4) Reduction in the Directors' fees by 2/12 parts due to employment with a salary of SEK 108,000 for the period from May to June 2013.

5) No Directors' fees have been paid to the Board's employee representatives.

lines for remuneration to senior executives were adopted at the 2013 Annual General Meeting. These guidelines are essentially consistent with the principles previously applied. The guidelines mean, in effect, that the company shall offer a competitive total remuneration package that enables the recruitment and retention of qualified senior executives. Remuneration for senior executives may comprise a fixed salary, performance-related pay, share incentive programmes approved by the Annual General Meeting, pensions and other benefits. The fixed salary shall take into account the individual's areas of responsibility and experience. Performance-related pay paid in cash may total a maximum of 50 per cent of the annual fixed salary. Performance-related pay shall be linked to predetermined and quantifiable criteria, structured with the aim of promoting the company's long-term value creation.

For additional information on remuneration, see Note 5 on page 69.

The Board's proposal for remuneration guidelines to be submitted to the 2014 Annual General Meeting is essentially consistent with the principles applied previously. See page 36 for the Board's full proposal to the 2014 Annual General Meeting.

Long-term incentive programmes

The purpose of long-term incentive programmes is to generate the conditions for retaining and recruiting competent personnel to the Group and promote employee shareholding in the company, so as to encourage continued company loyalty by combining the interests of the shareholders and the employees. A three-year share saving plan, LTI 2013, was accordingly approved at the 2013 Annual General Meeting. Medivir believes that the plan will have a positive effect on the Group's further development and that LTI 2013 is, therefore, to the benefit of both the shareholders and the company. The Board intends to conduct an evaluation of LTI 2013 that focuses on the above-mentioned objectives and which systematically analyses the results achieved. The goal of the evaluation will be to determine whether the plan has fulfilled its stated objectives, and will also include a review of the results and costs of the plan.

Remuneration to senior executives

The term, senior executives, refers to the CEO and other members of the management group. Medivir gathers and evaluates information on competitive remuneration levels for relevant sectors and markets on a rolling basis. Remuneration payments in 2013 and 2012 are shown in the table on page 48.

Remuneration to the Board of Directors

The Director's fee payable to the Members of the Board of Medivir is determined by the Annual General Meeting in line with proposals by the Nomination Committee. Remuneration payments in 2013 and 2012 are shown in the table above.

Auditors' fees

Fees for auditing Medivir's accounts are determined by the Annual General Meeting in line with proposals by the Nomination Committee. Remuneration payments in 2013 and 2012 are shown in the table below.

Auditors' fees (SEK 000)

	2013	2012
PwC		
Audit engagement	1,047	1,003
Auditing services over and above the audit engagement	259	116
Tax advice	845	196
Other services	912	1,087
Subtotal	3,063	2,402
EY		
Audit engagement	36	129
Auditing services over and above the audit engagement	–	–
Other services	–	88
Subtotal	36	217
Total	3,099	2,619

The Board of Directors



Rolf Classon

Birgitta Stymne
Göransson

Björn C Andersson

Göran Pettersson

Chairman of the Board. Born 1945. Elected to the Board of Medivir in 2008. Göran is a graduate pharmacist and market economist (IHM) and has extensive experience of the Swedish pharmaceutical industry, both in Sweden and other countries. Göran has run his own life sciences consultancy firm since 2000 and has previously held senior executive positions in the Astra corporate group, KabiVitrum, Pharmacia/PharmaciaUpJohn and Meda. Göran holds a number of directorships in other companies and is the Chairman of the Board of Axelar AB and the Vice Chairman of the Board of Mobidiag Oy, and a Member of the Boards of Pergamum AB, Pfizer Sweden Pensionsstiftelse I and Recipharm AB.

Shares in Medivir, including holdings by family members:
20,550 class B shares.

Björn C Andersson

Born 1946. Member of the Board since 2008 and Chairman of Medivir's Audit Committee. He has a Licentiate in Economics and was previously employed by Handelsbanken, where he was the Deputy CEO and the Director of Handelsbanken Markets and, subsequently, Director of Handelsbanken Asset Management. Björn is a Member of the Boards of Bliwa Livförsäkring and SPP Fonder AB.

Shares in Medivir: 3,000 class B shares.

Anna Malm Bernsten

Born 1961. Member of the Board since 2006, and also a member of Medivir's Audit Committee and Chairman of the Remuneration Committee. Anna holds a B.Sc. in Engineering, has extensive knowledge of the life sciences sector, and runs her own management and business development firm. Anna is the CEO of Carmeda AB, and has held senior executive positions in GE Healthcare Life Sciences, Pharmacia, Assa Abloy, Medivir, and Baxter Medical. Anna is a Member of the Boards of Birdsteep ASA, CEBA/Oatly AB, Cellavision AB, Fagerhult AB, Matrisen AB, Neurovive AB and Nolato AB, and was formerly a Member of the Board of BioPhausia AB.

Shares in Medivir, including holdings via companies:
3,406 class B shares.



Bo Öberg

Anna Malm Bernsten

Rolf Classon

Born 1945. Member of the Board since 2012. Rolf holds a Master's degree in Political Science from the University of Gothenburg. He has extensive experience of senior executive positions in the pharmaceutical and medical technology industry with such companies as Pharmacia and Bayer Diagnostics, and as Global CEO for Bayer Healthcare. He was also a Divisional Manager at Swedish Match. Rolf's current directorships include membership of the Boards of Hill-Rom Corporation (USA), Auxilium Pharmaceuticals (USA), Tecan Group (Switzerland), Fresenius Medical Care (Germany) and Aerocrine AB (Sweden).

Shares in Medivir: 0

Anders Hallberg

Born 1945. Member of the Board since 2012. Anders has held a professorship in Medicinal Chemistry at Uppsala University's Faculty of Pharmacy since 1990 and has also held a number of positions as scientific advisor at AstraZeneca and smaller pharmaceutical companies between 1990 and 2006. Prior to this, he was the Head of the Medicinal Chemistry Department at Astra in Lund. Between 2006 and 2011, he was the Vice Chancellor of Uppsala University. He has published over 260 scientific articles, a large number of which are on the subject of pharmaceuticals for the treatment of infectious diseases. Anders Hallberg is a member of the Royal Swedish Academy of Sciences, and the Royal Swedish Academy of Engineering Sciences. He has also been awarded honorary doctorates in Sweden and other countries.

Shares in Medivir, including holdings by family members:
1,600 class B shares.

Ingemar Kihlström

Born 1952. Member of the Board since 2008, Chairman of Medivir's R&D Committee and a member of the Remuneration Committee. Ingemar is an Associate Professor at Uppsala University and a life sciences advisor, via his own consultancy firm. Ingemar has extensive experience of the pharmaceutical sector and business development from both the pharmaceutical industry and the finance sector. Ingemar has previously held senior executive positions within Pharmacia, Aros Securities and ABG Sundal Collier. He currently holds directorships in



Ingemar Kihlström Göran Pettersson Anders Hallberg

a number of companies, including as Chairman of the Boards of BoMill Holding, Gasporox AB, Recopharma AB, and Spectracure AB, and is a Member of the Boards of Health Invest Partners AB, Miris AB and Respiratorius AB.

Shares in Medivir, including holdings by family members: 9,350 class B shares.

Birgitta Stymne Göransson

Born 1957. Member of the Board since 2013 and a member of the Audit Committee. Birgitta holds a B.Sc. in Engineering, specialising in biotechnology, from the Royal Institute of Technology in Stockholm and a Master of Business Administration degree from Harvard Business School. Birgitta has extensive experience of working as a CEO and senior executive in trade and industry. Her previous positions include CEO of Memira, CEO of Semantix, and Deputy CEO of Telefonosgruppen, and senior executive at Åhléns, McKinsey and Gambro. Birgitta currently serves on the Boards of Elekta AB, HL Display, Sophiahemmet, Rhenman & Partners Asset Management AB and the Stockholm Chamber of Commerce.

Shares in Medivir: 0.

Bo Öberg

Born 1939. Associate Professor at Uppsala University and Visiting Professor in Virology at the Karolinska Institute, has published 180 papers and holds a number of patents and patent applications in the field of antiviral pharmaceuticals. Bo, who is a former head of Astra's viral research department, is one of Medivir's founders and has been actively involved with Medivir since 1988. He has extensive experience from the Boards of biotechnology companies and has worked with the Swedish Research Council and a number of international organisations active in the area of infectious diseases. In 2010, Bo received The Elion Award for outstanding work with the development of pharmaceuticals to treat viral infections. He is currently also a Member of the Board of Beactica AB and is a member of the Royal Society of Sciences, Uppsala.

Shares in Medivir: 284,000 class A shares and 262,475 class B shares.

Employee representatives



Christian Sund Susana Ayesa Alvarez

Susana Ayesa Alvarez

Ph.D., Senior Research Scientist, Lead Discovery Chemistry
Born 1970. Employed since 2000 and Member of the Board since 2013.

Shares in Medivir, including holdings by family members: 2,023 class B shares.

Christian Sund

Ph.D., Senior Research Scientist, Medicinal Chemistry
Born 1958. Employed since 1997 and Member of the Board since 2013.

Shares in Medivir: 42 class B shares.

Deputy Members of the Board

Stina Lundgren

Ph.D., Senior Research Scientist, Lead Discovery Chemistry
Born 1979. Employed since 2008 and Deputy Member of the Board since 2013.

Shares in Medivir: 337 class B shares.

Veronica Werlinder

Ph. Lic., Senior Research Scientist, DMPK & Bioanalysis
Born 1966. Employed since 2008 and Deputy Member of the Board since 2013.

Shares in Medivir: 287 class B shares.

Management



Charlotte Edenius Maris Hartmanis Richard Bethell



Håkan Wallin Paul Wallace



Henrik Krook Christina Kassberg Rein Piir

Maris Hartmanis

Born 1953. Ph.D. and Associate Professor of Biochemistry at the Royal Institute of Technology in Stockholm. President and CEO of Medivir and CEO of BioPhausia. Employed since 2011.

Over 25 years' experience of the Life Sciences industry in a range of different senior executive and R&D management positions, including at BioPhausia, Gambro, Amersham and Pharmacia.

Shares in Medivir: 35,000 class B shares.

Richard Bethell

Born 1963. Doctor of Philosophy (D. Phil.) in Chemistry, Oxford University.

EVP Discovery Research. Employed since 2013.

Formerly Head of Biological Sciences at Boehringer Ingelheim (Canada), Head of Therapeutic Research at Shire and a variety of different positions at Pfizer and GlaxoSmithKline in the field of pharmaceutical R&D.

Shares in Medivir: 2,281 class B shares.

Charlotte Edenius

Born 1958. MD and Ph.D., Karolinska Institute. EVP Development. Employed since 2010. Formerly Senior Vice President Preclinical and Clinical R&D at Orexo, Chief Scientific Officer at Biolipox, and various positions within AstraZeneca's clinical R&D operations.

Shares in Medivir, including holdings by family members: 10,840 class B shares.

Christina Kassberg

Born 1968. B.Sc. Economics. EVP Finance & Administration. Employed since 2000. Previous positions include Controller at Medivir AB, Accounting Manager at Skandia Link Multifond, and Auditor at Öhrling PricewaterhouseCoopers.

Shares in Medivir, including holdings by family members: 21,427 class B shares.

Henrik Krook

Born 1973. Executive MBA, Stockholm School of Economics. Graduate Pharmacist and Ph.D. in Immunology from Uppsala University. EVP Commercial. Employed since 2013. Formerly Country Manager/ Commercial Director for Novartis Norway and over ten years' experience of various senior executive positions in clinical studies, sales and marketing at Roche and Novartis, in addition to the position of Research Project Manager at Uppsala University Hospital.

Shares in Medivir: 639 class B shares.

Rein Piir

Born 1958. B.Sc. Business Economics and Management. EVP Corporate Affairs & IR. Employed since 2000. Previous senior executive positions include Health Care and Research at D. Carnegie AB, and Analysis & Strategy at SPP.

Shares in Medivir: 1,292 class B shares.

Paul Wallace

Born 1962. Ph.D. in Biochemistry, University of Cambridge. EVP Business Development.

Employed since 2000. Formerly senior position in business development at Peptide Therapeutics plc. and Director of Research at Eclagen, both in the UK.

Shares in Medivir: 7,690 class B shares.

Håkan Wallin

Born 1962. B.Sc. Business Economics and Management, Stockholm University, and CEFA from the Stockholm School of Economics. EVP Corporate Development. Employed since 2010. Previous senior executive positions include ABG Sundal Collier AB's Corporate Finance department, Libertas Capital Nordic AB and Ernst & Young's Corporate Finance.

Shares in Medivir: 4,380 class B shares.

Board of Directors' internal controls report

The Board of Directors' responsibility for internal controls is regulated in the Swedish Companies Act and the Swedish Code of Corporate Governance. Internal controls with regard to the financial reporting are one component of the total internal controls system within Medivir and are a central component of Medivir's corporate governance.

Internal control of the financial reporting

The following presentation comprises the Board of Directors' report on Internal Controls in respect of the financial reporting. It has been reviewed by the company's auditors. The purpose of the internal control of the financial reporting is to provide reasonable assurance that the external financial reporting in the form of interim reports, annual accounts and full-year financial statements is reliable and has been prepared in accordance with legislative requirements, applicable accounting standards, and other requirements of listed companies. The overall purpose of the internal control is to provide reasonable assurance that the company's strategies and goals are monitored and that the owners' investments are protected. According to the COSO framework, the internal control shall 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, and the CEO and President. The control environment also includes the culture that the Board of Directors and company management communicate and on the basis of which they operate. Medivir's control environment is based on:

- Steering documents, such as the Board's Rules of Procedure and the CEO's Instructions, 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.
- Group-wide planning processes, such as the process for appraisal of the R&D portfolio, the budget process, and performance reviews.

Medivir's financial reporting complies with the laws and regulations applicable to companies listed on the main market of the Nasdaq OMX Stockholm Stock Exchange. The internal control environment includes, in addition to external laws and regulations, a code of conduct, important policies and guidelines for the financial reporting, such as the finance policy, endorsement and authorisation instructions, and the purchasing and investment policy. The internal steering documents are updated regularly in line with changes in legislation. Checklists have also been drawn up for important routines and processes. Internal

instructions and routines are developed on a rolling basis. 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

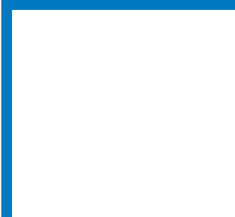
An effective risk assessment reconciles Medivir's business opportunities and results with the requirements of shareholders and other stakeholders for stable, long-term value growth and control. Medivir continuously updates its risk analysis with regard to the assessment of risks, which can result in errors in the financial reporting. 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:

- External risks – such as regulatory approval, competition, price changes, external seasonal variations, and patent protection.
- Operating risks – such as integration risk, production risk, and reliance on key persons and partnerships.
- Financial risks – such as liquidity, interest, currency and credit risks.

Medivir's risk assessment with regard to the financial reporting is intended to identify and evaluate the most significant risks that affect the internal controls with regard to the financial reporting. Policies and guidelines for accounting and financial reporting comprise the areas of particular importance in promoting correct and complete accounting, reporting, and information provision at the right time. Risks identified are handled through well-documented processes, through a clear division of responsibility and labour, and an appropriate decision-making process. Important transactions consequently require special approval in order to ensure that assets are managed correctly. The risk of material misstatements in financial reporting may arise in conjunction with the bookkeeping and valuation of assets, liabilities, income and expenses, or deviations from disclosure requirements. Other risks in conjunction with the financial reporting include fraud, losses or embezzlement of assets, or improper preference of another party at the company's expense. For a more detailed presentation of risk exposure and the way in which Medivir handles it, see pages 38-39.

Control activities

The primary purpose of the control activities is to prevent, identify and rectify errors in the financial reporting. Routines and activities during the full-year financial statement and reporting process, and which are critical to the reliability of the financial reporting, have been structured to handle and action



significant risks. The activities include analytical monitoring and comparison of profit performance or items, reconciliation of accounts and balance specifications, and approval of all business transactions and partnership agreements, powers of attorney and authorisation instructions, and accounting and valuation principles. Access to ERP systems is largely restricted in line with authorisation, responsibilities and roles.

There is an established Controller function that carries out control activities at all levels within the company. The function analyses and follows up on deviations from budget, draws up forecasts, follows up on significant fluctuations over time, and reports within the company, thereby minimising the risk of misstatements in the financial reporting.

Information and communication

Medivir has information and communication pathways that are designed to promote the completeness and accuracy of the financial reporting. 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 in chronological order. The website is also complemented with information from press conferences and analysts' meetings.

The Board of Directors receives regular financial reports on the Group's position and profit performance. Meetings are held within the company at management group level, and then at the level deemed appropriate by the respective units. There are

processes during which all relevant employees certify in writing their knowledge of and compliance with significant internal steering documents. Important communications channels within the company include the intranet, where policies, guidelines and information are published, and regular information meetings for all members of staff.

Monitoring

The Board of Directors reviews all of the Group's quarterly reports, year-end financial statements, and annual reports before publication. The Board receives monthly financial reports on the Group's position and profit performance, and the Group's financial position is discussed at every Board Meeting.

The Board's monitoring of the internal controls in respect of the financial reporting is primarily conducted through the Audit Committee. 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 company has a Board with an Audit Committee, a simple legal and operational structure and well-developed steering and internal control systems. The Board of Directors has, therefore, opted not to institute a special internal audit process. The Board and the Audit Committee evaluate and monitor the situation continuously with regard to the possible establishment of an internal audit function.