ANNUAL REPORT

2017

MEDIVIR

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

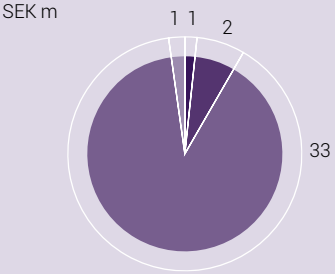
2017 in brief

Significant events

- Medivir's Extraordinary General Meeting, held in February, resolved on a voluntary redemption program comprising a reduction in the share capital for repayment to the shareholders. Total cash proceeds of approximately SEK 857.5 million were distributed.
- Christine Lind was appointed as the new CEO of Medivir, effective as of 1 April.
- Positive results from MIV-711phase IIa osteoarthritis (OA) study showed disease-modifying benefit and an acceptable safety and tolerability in OA patients.
- FDA accepted Medivir's IND application for MIV-711, enabling clinical development in the US.
- Clinical study of birinapant in combination with Keytruda® (pembrolizumab) in patients with treatment-refractory solid tumors was initiated.
- Janssen decided to discontinue development of JNJ-4178 for hepatitis C.
- Remetinostat phase II data demonstrated efficacy on skin lesions, reduction of itching and high tolerability in patients with early-stage MF-type cutaneous T-cell lymphoma.
- Medivir received FDA Fast Track Designation for MIV-711 for treatment of OA.
- Medivir announced new cancer project in optimization phase, Leukotide, derived from its in-house nucleotide platform.
- Medivir announced Janssen's decision to terminate its simeprevir license effective June 2018.

Net turnover

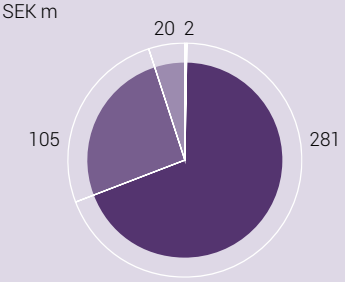
SEK m



- Upfront payments
- Pharmaceutical sales
- Royalties
- Other services

Operating expenses

SEK m



- Merchandise
- Other external expenses
- Personnel costs
- Depreciations and write-downs of tangible and intangible fixed assets

Key ratios[1)]

SEK M	2017	2016	2015	2014	2013
Net turnover[2)]	37	93	474	1,767	446
Operating profit[2)]	–363	–312	55	1,189	25
Liquid assets	468	1,698	1,078	1,396	402
Equity/assets ratio, %	83	90	90	91	86
Number of employees	88	117	127	141	128

[1)] A voluntary redemption program offering Medivir's shareholders the opportunity to redeem one in every four shares at a price of SEK 129 was approved at an Extraordinary General Meeting held after the end of 2016. The redemption process will entail the transfer of SEK 857.5 million of the company's liquid assets to the shareholders.

[2)] 2015 and 2016 have been recalculated to correspond to the continuing operations.

"In 2017 we have continued to pass several important milestones, both scientifically and as a company."

Christine Lind, CEO

"With our balanced pipeline – including both potential blockbusters and orphan drugs – and strong discovery engine, I passionately believe that we are moving in the right direction."

Christine Lind, CEO

CEO'S message

In 2016, we carried out a comprehensive transformation of Medivir to create a new, focused and efficient pharma company with a strong pipeline. In 2017, we continued this development, with a clear focus on our prioritized projects and the aim to improve life for patients through transformative drugs.

With our balanced pipeline – including both potential blockbusters and orphan drugs – and strong discovery engine, I passionately believe that we are moving in the right direction. Since I took on the role as the CEO of the company, on April 1, we have made a number of important advances, both scientifically and as a company.

Proprietary projects

The ground-breaking top-line results from our initial phase IIa study in the MIV-711 osteoarthritis project were released in September, and full data were presented as a late breaking presentation at the Annual Meeting of the American College for Rheumatology in November. This was the first time ever that a therapeutic agent has demonstrated clinical benefits on both joint bone and cartilage in osteoarthritis patients in only six months. The fact that the US Food and Drug Administration (FDA) also granted MIV-711 fast track designation in October confirms its importance. MIV-711 has the potential to be the first disease-modifying drug for the treatment of osteoarthritis.

Within our key focus area – oncology – we also made good progress during the year. For remetinostat, the phase II data we presented in October strongly support advancement of this drug into pivotal clinical trials and discussions with regulatory authorities on the design of the phase III study are underway.

In August, we launched a phase I/II study of birinapant in combination with Merck´s Keytruda®, to investigate clinical efficacy of the combination of birinapant with the leading immune checkpoint inhibitor in patients with advanced solid tumors.

MIV-818, Medivir's proprietary nucleotide prodrug aimed at liver cancers, entered preclinical development in late 2016 and the program was extensively presented at major international conferences in 2017. In early January 2018, we announced the completion of preclinical studies and that we plan to make the necessary regulatory submissions in order to start the first clinical trials of MIV-818 during the second half of 2018.

In November, we announced a new research stage project within oncology, demonstrating our ability to bring new projects for cancer from our discovery efforts. The Leukotide project is intended to deliver a new drug for the treatment of acute myeloid leukemia (AML) and other hematological malignancies The project is based on our expertise in nucleoside and nucleotide science.

Partnered projects

Medivir has established itself as a partner of choice in the pharma industry; over the years, we have signed more than 20 successful partnerships, including two in 2017. We continue to be effective in out-licensing programs from our scientific areas of expertise even in early stages. In August, we signed an agreement granting Ascletis exclusive rights to develop, manufacture and commercialize MIV-802, for the treatment of hepatitis C, in Greater China.

In October, we announced an agreement with the AMR Centre in the UK which will see them take over the development of molecules to counter bacterial resistance to beta-lactam antibiotics. This project arose from our research work on metallobetalactamases, which are proteases. I believe that our partners in both these cases are well positioned to lead the continued successful development of these projects.

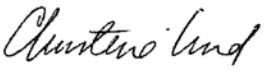
Important company milestones

We made some important recruitments to further strengthen the company, and in the autumn, we recruited Erik Björk as Chief Financial Officer, and Christina Herder as Executive Vice President, Strategic Business Development. They are outstanding additions to our management team.

In February 2018, Medivir completed a directed share issue of approximately SEK 155 million before transaction related expenses to institutional investors, including Gladiator and Nyenburgh Investment Partners.

The many achievements we made during 2017 make me very confident in Medivir's future. We are well-positioned to continue our journey towards delivering transformative drugs to patients through our research. We can do it from a stronger financial position and with an experienced and well-motivated organization.

Huddinge, March 2018



Christine Lind
CEO

Vision

Improving life for cancer patients through transformative drugs.

Medivir in brief

Medivir celebrates its thirtieth year in 2018. It has been a publicly listed company since 1996. During this period, Medivir has developed two pharmaceutical products all the way from idea to market launch. In the same time, the company has ventured into more than 20 international partnerships, often with repeat partners, that have created more than 400 million USD in revenues to the company. Medivir's scientists have taken three candidate drugs into clinical development in a two-year period. The company has 80 employees, of whom 42 are PhDs.

Medivir in brief

Medivir discovers and develops innovative pharmaceuticals for the treatment of cancer. The company has significant experience in the specialty scientific areas of protease inhibition and nucleotides/nucleosides. Medivir has capabilities in all phases of drug development, from idea through clinical phase III studies and regulatory market authorizations. Research and development is conducted both in-house and through collaborations.

Cancer

Medivir is currently conducting research and development primarily within oncology. The focus is on cancers of high unmet medical need, where existing therapies are limited and there is a great opportunity to provide real benefit to patients that today have few treatment options.

Our projects

The project portfolio comprises various projects in different stages of pre-clinical and clinical development, the majority of which are being conducted in-house. While the in-house projects are primarily in the oncology area, Medivir also has an ongoing project aimed at osteoarthritis.

Collaborations and partnerships are important components of our business model, and over the years, Medivir has entered into a number of successful partnerships with other pharmaceutical companies.

Business concept, strategy and business model

Business concept

Medivir focuses on the discovery and development of transformative cancer drugs. To do this efficiently and with a high success rate, we bring together a unique combination of scientific knowledge, a balanced project portfolio, collaborative culture and extensive industry experience.

Business model

Building on our scientific areas of expertise and our focus in oncology, Medivir conducts research and development in all phases from idea to clinical phase III studies and regulatory marketing authorizations. Our internal capabilities encompass various areas including specialized chemistry and biology, drug development excellence, clinical trial design, regulatory affairs and business development. Medivir leverages collaborations with academic and industrial partners in order to bring specialty knowledge, experience and other capabilities to our projects in various phases.

Medivir retains commercialization rights to projects as long as Medivir has the capabilities and resources to develop them and for as long as it is commercially reasonable. Evaluating a project's market potential and strategy is part of the recurring project review within Medivir, aiming to maximize the value of each product candidate.

Strategic priorities

Medivir has four overall strategic priorities. They are based on our leading research and development expertise and proven business development capabilities.

1 **Consistently discover and deliver well differentiated oncology drug candidates**
Ensure a constant flow of well differentiated oncology projects and progress high potential candidate drugs into clinical development.

2 **Efficiently develop drugs through the clinical phases**
Drive efficient cross-functional development of candidate drugs from Medivir's in-house research, or those from in-licensing or acquisition, to create products that radically improve the lives of patients and fulfill decision-makers requirements.

3 **Be a respected collaborator and valuable partner**
Develop and grow meaningful and mutually beneficial partnerships to facilitate the sharing of ideas and resources, conducting research with a grander scope and mitigating financial risk.

4 **Be an attractive place to work**
Nurture a creative, stimulating and professional culture that attracts skilled and innovative employees, and encourages their retention and development.

Achieved milestones in 2017

- Positive data from phase IIa study with MIV-711 demonstrated disease-modifying benefit and acceptable safety and tolerability in osteoarthritis patients.
- The FDA accepted Medivir's IND application for MIV-711, which means that clinical development can begin in the US.
- Clinical study of birinapant in combination with Keytruda® for patients with treatment-refractory solid tumors initiated.
- Results from phase II study with remetinostat demonstrated efficacy on skin lesions, reduction of itching and high tolerability in patients with early-stage CTCL.
- The FDA granted Fast Track designation for MIV-711 as treatment of osteoarthritis.
- Leukotide, a new cancer project based on Medivir's nucleotide research, was announced.

Expected milestones for 2018

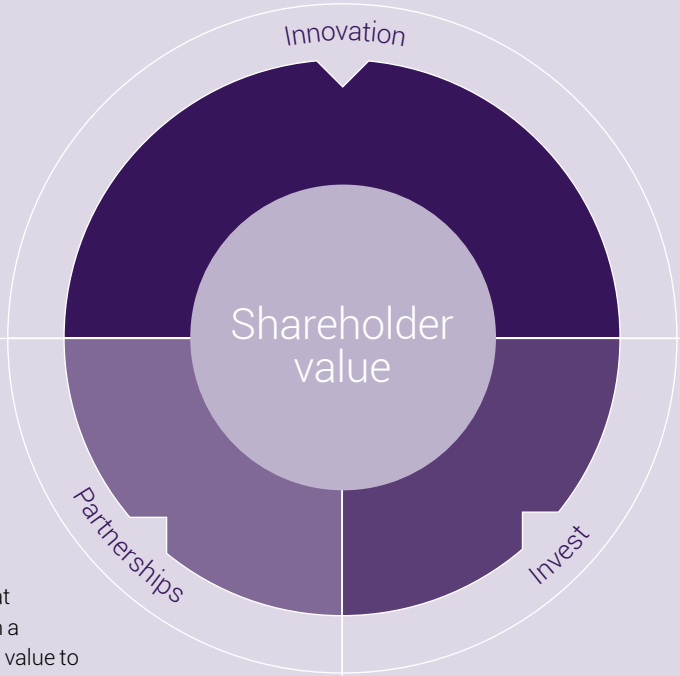
- Complete the preclinical safety studies of MIV-818.
- Complete the phase IIa extension study of MIV-711 in osteoarthritis.
- Find a partner for the future clinical and commercial development of MIV-711.
- Complete the dose escalation portion in the phase I/II study of birinapant in combination with Keytruda®.
- Prepare for the phase III study of remetinostat in CTCL.
- Prepare and initiate the phase I study of MIV-818 in hepatocellular carcinoma.

Shareholder value

Innovation

Medivir has a track record of successful R&D operations that build long-term value, with research based on the company's established scientific areas of expertise. Our focus is on oncology and is oriented towards areas with a substantial need for new medical treatments that can generate real patient benefit. Medivir progresses projects from the discovery phase through clinical development. New projects are added to the development portfolio from our in-house research.

These candidate drugs have been rigorously optimized to meet pre-determined criteria to ensure that they have the best chance of being successfully developed as effective treatments for the disease against which they are targeted. The pharmaceutical development work is highly efficient and the projects come from Medivir's scientific areas of expertise.



Partnerships

Medivir seeks to partner a project at the point when a collaboration with a partner can maximize the project's value to the company. In practice a project is usually out-licensed to a global pharmaceutical company who then assumes responsibility for the cost-intensive late phase development and for global commercialization. This helps to manage risk and ensures that the product can be positioned effectively by the company that will market the drug, while providing access to the resources and financing necessary for the projects to succeed. These partnerships generate income through milestone payments during development and through royalties after a product has reached the market. Medivir's expertise and efficiency are important foundations for building value within the research portfolio and for forging and maintaining good relationships with partners.

Invest

Medivir strengthens and expands both the scientific areas of expertise and the project portfolio through a constant flow of projects in the company's core area of oncology. Selected projects are progressed through clinical phases. Future research results are secured by attracting, retaining and developing skilled and innovative employees who help create a corporate culture characterized by cutting-edge scientific expertise, efficiency and quality.

Words from the Chairman

Medivir now enters its thirtieth year as a company, which is quite an impressive age for a biotech company. Even more remarkable are the achievements Medivir has delivered in that time: two drugs brought all the way from idea to commercialization, more than 20 international partnerships, and in a two-year period, three new candidate drugs brought into development.

I have had the pleasure of being a board member of this great company for more than ten years, and I am profoundly impressed by Medivir's extraordinary dynamic abilities, especially the transformation of the company and the creation of today's Medivir as a new yet experienced player within oncology.

It began in 2014 with the strategic decision to reposition the company into a research and development company with a strong focus on oncology. This decision was based on identifying a match between unmet medical needs for cancer patients, biological targets in oncology and Medivir´s scientific areas of expertise within protease inhibitors and nucleotides/nucleosides. Over the next four years Medivir transformed, retaining the areas of scientific strength built over 30 years, and enhancing and streamlining other areas to better enable it to deliver on its promise of creating drugs that radically improve the lives of cancer patients. A significant proof of the value of the company's scientific expertise applied in oncology, is that the first oncology project from our in-house research – MIV-818, for the treatment of liver cancer – actually is based on Medivir's deep knowledge within hepatitis C.

In early 2017, Medivir's EGM decided to carry out the redemption program and the distribution of the profit from the divestment of our subsidiary BioPhausia, a measure that was in line with our strategy to deliver shareholder value. We had previously communicated that the intention was to distribute BioPhausia to Medivir's shareholders through a separate listing in Stockholm. In the process, we received several offers from prospective buyers. Finally, we accepted an offer that we considered to be a better alternative, and in that way, total cash proceeds of approximately SEK 857.5 million could be distributed to our shareholders.

The transformation of Medivir was a tough and demanding job led by our former CEO Niklas Prager. The Board shared his view that the new company needed a new kind of leadership for its next phase. Christine Lind, with solid experience in commercial business development, deep knowledge in R&D and natural skills in communication, was recruited internally as a natural and inspiring choice. The transition from Niklas to Christine in April thus was swift and seamless.

A company active in the development of novel pharmaceuticals needs many different skills, experiences and competencies not only internally but also in its ultimate governing body: its board of directors. And in Medivir's case, the mix is truly dynamic and inspiring, comprising medicine, chemistry, investing, entrepreneurship, commercialization and corporate governance.

Having set the direction, the Board of Directors has been impressed by what Medivir has been able to deliver. The groundbreaking MIV-711 osteoarthritis data that were presented in September, as well as the remetinostat clinical results in cutaneous T-cell lymphoma, are both very promising for the future.

Another strong achievement that illustrates the agile dynamics of Medivir is the company's research cooperation with GVK in India that took off in 2015 and has proved to be extremely productive and effective.

Medivir's ability to find attractive partnership solutions is well illustrated by the signing of the agreement with Ascletis in August for MIV-802 for hepatitis C. Ascletis is committed to become a leading company in treating hepatitis C in Greater China, a region with more than 25 million hepatitis C infected individuals.

During 2017, the Board thoroughly discussed different alternatives to accelerate the development of our pipeline. I am glad to see that early in the year, the company could successfully carry out a directed share issue where Swedish and International life sciences specialist investors as well as existing large shareholders participated, rendering proceeds of approximately 155 MSEK before transaction costs.

I would especially like to state that it is very much thanks to Medivir's highly motivated and focused management team that the transition to oncology has been so successful. The team has also been strengthened during 2017.

Last, but definitely not least, I would like to thank our shareholders for showing faith in the new Medivir and a special thanks to the owners of A-shares for supporting the change to one class of shares.

The Board and the company are committed to carry on the development of our project portfolio, all in order to bring transformative treatments to patients and to create and develop true shareholder value. We can look forward to an interesting 2018 with further communication around the exciting development of the company and its project portfolio.

Huddinge, March 2018

Anna Malm Bernsten
Chairman of the Board

"Medivir's strong competencies within proteases and nucleosides/nucleotides constitute elementary fundaments within the oncology research of today, not least when it comes to immuno-oncology and new immunotherapies. "

Anna Malm Bernsten, Chairman

Still a plentitude of unmet medical needs

Around 14 million new cases of cancer are diagnosed globally every year[1] and this number is expected to increase in the future, mainly driven by the world's growing and aging population.

According to the WHO, cancer was the second leading cause of death in 2015, responsible for 8.8 million deaths globally.

The global sales of cancer drugs were $107 billion in 2015 and expected to exceed $150 billion in 2020. This represents an annual growth of between 7.5 and 10.5 percent. The US continues to be the largest oncology therapy market, accounting for 45 percent of the sales.

Despite new approvals and advancements in treatment, cancer patients still have considerable unmet need

Since 2011, over 68 new oncology treatments have been launched to treat over 22 different tumor types[2].

Among the new options are immuno-oncology drugs, which have dramatically changed the treatment of various cancers, and immuno-oncology is today the fastest growing segment within the oncology field. Immuno-oncology therapies are medicines that use the body's immune system to fight cancer. While these new drugs have been approved with meaningful survival benefits, and at high cost, a majority of patients are still underserved and certain tumor types have very low rates of response to these drugs.

The recognition of oncology as a highly diverse set of diseases rather than a single disease area, has contributed to increased focus on personalized medicine in the development of new cancer drugs. Given the limited response rates to immuno-oncology drugs, there is a lot of research being conducted to identify factors associated with improved responses. Over the past twenty-five years it has also lead to an increase in development of targeted agents. Targeted agents are drugs that block the growth and spread of cancer by interfering with specific molecular targets that are involved in the growth, progression, and spread of specific tumors.

Particular focus is being placed on targeted therapies that use genetic marker tests to indicate a greater likelihood of tumor response. Approximately 20–30 percent of the volume of new cancer treatments introduced in the last five years are targeted agents. In the global development pipeline for cancer, about 90 percent of the drugs in the late clinical phase are targeted agents[3]. The concept of personalized medicine is now an integral part of clinical practice in oncology, and more clinical trials are stratifying patient populations with predictive biomarkers; this has led to improved clinical outcomes by stratifying patients for their predicted response to treatment.

The recognition of oncology as a highly diverse set of diseases rather than a single disease area, has contributed to increased focus on personalized medicine in the development of new cancer drugs.

Tackling difficult diseases requires harnessing the power of many

An important feature of cancer drug treatments is the common use of a combination of treatments with the objective to optimize the probability to cure the cancer or to maximize the remaining life span or quality of life for the cancer patient. By combining several treatments targeting different mechanisms in the cell cycle, synergies can be reached resulting in an improved efficacy. Is it expected that many of the new therapies will be combined with an immuno-oncology agent.

Speed to market has increased dramatically

In the last three years, the overall speed to market for novel cancer drug treatments has decreased by about one year in the US. The FDA has put in place a series of expedited programs like "fast track designation", "break-through designation", accelerated approval and "priority review designation", that may have been contributing to this. Novel drug treatments thus have the possibility to reach the cancer patients more rapidly.

1) WHO World Cancer Report (2014)
2) IMS Institute for Healthcare Informatics, Global Oncology Trend Report: A Review of 2015 and Outlook to 2020, June 2016.
3) IMS Health, R&D Focus, IMS Institute for Healthcare Informatics, May 2016.

What is cancer?

A cancerous tumor occurs when cells divide in an uncontrolled manner. Genetic changes result in the cells stimulating both their own growth and the growth of blood vessels to and from the tumor. Furthermore, the tumor becomes resistant to the body's immune responses, which would otherwise trigger the death of the cancer cells.

When tumors grow, they can become more aggressive and start invading surrounding tissues. The cancer cells often spread to other tissues too, forming subsidiary tumors (metastases). Cancer treatment is rendered more difficult by the fact that when the uncontrolled growth of the tumor cells enables rapid evolutionary selection in response to drug treatments that can result in resistance developing and a relapse occurring.

What are the different types of cancer?

There are many different types of cancer, with very different characteristics and prognoses. They have been traditionally described by the tissue in which the primary tumor is found (e.g. lung, colon, prostate, liver) and by the specific cells that have become cancerous (e.g. hepatocellular carcinoma, lymphomas, small cell lung cancer); Increasingly genetic tests are being applied to provide a better assessment of the disease prognosis and enable patients to be treated with the most effective drugs for their disease, e.g. the use of drugs targeting anaplastic lymphoma kinase (ALK), e.g. crizotinib, only in patients with ALK-positive non-small cell lung cancers (NSCLC) and not all NSCLC patients.

What are main objectives with drug treatment in cancer?

Drug treatments are often used for tumors that are spread in the body, where there is a need to reach cancer cells throughout the body. However, drug treatments could also be administered directly to the organ of the primary tumor, e.g. skin, liver. Some cancers can be cured, whereas others are incurable. The aim of drug treatments for incurable cancers is to prolong the patient's life and/or improve the patient's quality of life.

Transformative science with a firm focus on oncology

Medivir focuses 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 with few treatment options.

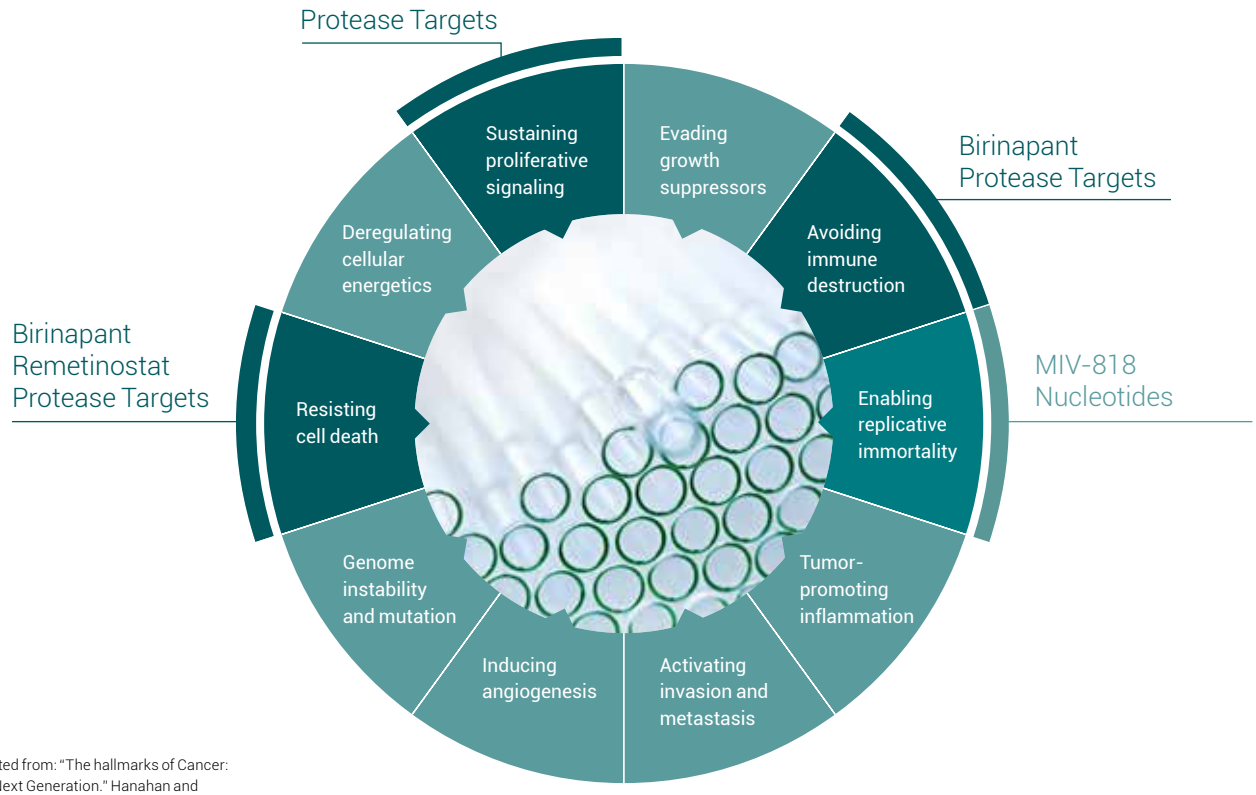
Medivir's current clinical pipeline include a biologically targeted treatment in combination with an immune-oncology agent to improve outcomes for patients (birinapant combination with Keytruda®), and organ targeted treatments to improve efficacy and tolerability for specific cancer types (remetinostat and MIV-818).

The choice of the tumor 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 is expected to respond well to treatments. Some cancer types of particular interest to Medivir include certain solid tumors, such as liver cancers, and cutaneous T-cell lymphoma, a blood cancer in the skin. These cancers can be highly aggressive diseases with poor treatment options and very low overall survival rates, or where even the best available treatments still will leave significant unmet patient needs.

Existing therapies are not very successful and there is a great opportunity to provide real benefit to patients with few treatment options.

Medivir's approaches to cancer drug discovery

Oncology is an area in which Medivir's core areas of scientific expertise and other capabilities are well suited and offers considerable opportunity for the development of innovative drugs.



Adapted from: "The hallmarks of Cancer: The Next Generation." Hanahan and Weinberg, Cell (2011), 144, 646–674

Medivir's strategic approach to the discovery of novel anticancer drugs is based on its core scientific areas of expertise of nucleoside and nucleotide science, and protease inhibitor design.

While cancer represents a large number of diseases that are characterized by unusual and uncontrolled cell growth and replication, there is an increasing recognition that cancers are characterized by a number of common features, which Hanahan and Weinberg have termed the Hallmarks of Cancer[1)].

We use this framework to highlight how Medivir's active projects are working against cancer.

We are continuously evaluating new oncology projects that could strengthen our R&D portfolio. The main criteria are that new projects must be commercially interesting, which is assessed on the basis of medical need and the competitive climate, and that the development program is scientifically and financially feasible.

Intellectual property and market protection
Medivir has established a comprehensive and systematic process for securing and continuously monitoring its patent protection. The portfolio currently comprises around 33 active patent families, with over 150 national patents awarded. Medivir also seeks regulatory designations where appropriate to benefit the development process and potential market approvals. In the US, the FDA has granted Orphan Drug designation to remetinostat for the treatment of CTCL and Fast Track status to the investigation of MIV-711 as a disease-modifying agent for osteoarthritis.

1) Hanahan and Weinberg, Cell (2011), 144, 646-674.

The pharmaceutical development process

The initial phases of pharmaceutical development can involve testing thousands of chemical compounds, with the most promising selected as candidate drugs. Safety and efficacy are tested during the preclinical development phase, before the trials on humans begin during the clinical trials phases. Additional clinical trials are sometimes carried out after approval and launch in order to optimize use.

Candidate drug discovery

Selection of Candidate drug

The first step involves selection of an appropriate biological processes to target in order to achieve the desired therapeutic outcome. After discovery of chemical leads that affect the chosen biological pathway, the safety, efficacy and pharmacokinetic properties of these molecules are optimized, resulting in one or more candidate drugs for further development.

Preclinical phase

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 phase

Clinical trials

Clinical trials for a new pharmaceutical product involves studies or trials conducted in humans, i.e. healthy volunteers and patients. These trials are carefully regulated by the requirements of the regulatory agencies. Before a clinical trial can begin, both the regulatory agencies and ethical review boards must approve the design of the clinical trial. The number of patients and or volunteers can vary depending on the indication, as can the length of the trials, but in general, the larger the disease – the more likely that the trial will encompass a larger number of patients studied.

Phase I

Test subjects: Often healthy volunteers but the studies of cancer drugs usually are in patients with disease.

Purpose: To establish safe and tolerable doses and identify possible adverse events, and to understand how the pharmaceutical is absorbed, transported around the body, and excreted. In cancer, often also to measure early signs of effect using so called biomarkers.

Phase II

Test subjects: Patients with the disease/symptoms.

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

Phase III

Test subjects: Patients with the disease/symptoms.

Purpose: To study the efficacy and adverse events profiles in larger patient groups, usually including comparative studies with existing treatments or placebo, 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.

Market

Registration

Before a pharmaceutical product is approved an application for an authorization to market the pharmaceutical has to be submitted to the regulatory agencies. They 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 the regulatory agencies and launched on the market, in order to optimize the drug's usage. These so-called phase IV or post marketing trials are conducted in parallel with sales.

Market protection

Patent protection and regulatory protection, e.g. data exclusivity, orphan drug exclusivity, and pediatric extension, are key components of pharmaceutical development, both for those projects that are developed in-house and those that are in-licensed.

Project portfolio

The research and development portfolio comprises various projects, the majority of which are being conducted in-house. The proprietary projects are primarily in the oncology area, but also include a project aimed at osteoarthritis.

PROPRIETARY PROJECTS

PROJECT & MECHANISM	DISEASE AREA	PRECLINICAL	PHASE I	PHASE II	PHASE III	MARKET
Remetinostat TOPICAL HDAC INHIBITOR	Cutaneous T-cell lymphoma					
Birinapant SMAC MIMETIC	Solid tumors (combo with Keytruda®)					
MIV-818 NUCLEOTIDE DNA POLYMERASE INHIBITOR	Hepatocellular carcinoma					
MIV-711 CATHEPSIN K INHIBITOR	Osteoarthritis					

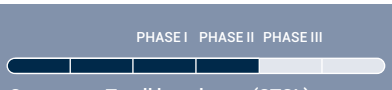
PARTNERSHIP PROJECTS

PROJECT & MECHANISM	DISEASE AREA	PRECLINICAL	PHASE I	PHASE II	PHASE III	MARKET
Xerclear In partnership with GlaxoSmithKline	Marketed as Zoviduo® for the treatment of labial herpes					
MIV-802 NUCLEOTIDE NS5B POLYMERASE INHIBITOR In partnership with Trek Therapeutics and Ascletis.	Treatment of hepatitis C					

Remetinostat

for the treatment of Cutaneous T-cell lymphoma

Cutaneous T-cell lymphoma (CTCL) is a rare form of blood cancer that shows up first in the skin. A key unmet need for patients in early-stages of CTCL is efficacy on cancerous skin lesions and the symptom of significant itching.



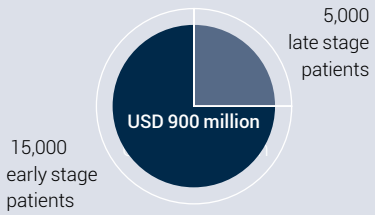
Cutaneous T-cell lymphoma (CTCL)

Unmet medical need
Current topical anti-tumor treatments in CTCL have low tolerability.

Medivir's approach
HDAC inhibitors are already known to be effective against CTCL, but with significant side effects. Remetinostat is only active in the skin as it degrades when reaching the blood stream, thus avoiding side effects.

Next step
Start of clinical phase III.

Market potential



In the US alone, 15,000 patients with early stage CTCL represents a total market potential of USD 900 million.

CTCL affects around 20,000 people in each of the US and Europe and approximately 75 percent of patients are in early stages[1]. In its early stages, the disease is confined to the skin and is not immediately life threatening. Patients do however experience a reduction in quality of life due to disfiguring lesions and disease symptoms, mainly significant itching. Patients also suffer an increased risk of infections as the protective skin barrier is no longer intact. Existing treatments do not sufficiently address the patient need. Thus, patients are in need of an efficacious but also highly tolerable treatment, since the early stages of disease may last for many years.

A novel HDAC inhibitor for topical use

Medivir is developing remetinostat as a topical application for use in early stage CTCL. Remetinostat is a histone deacetylase (HDAC) inhibitor. HDAC inhibitors are approved for treatment of CTCL in late-stage patients but are not recommended for early-stage patients due to their significant side effects. The unique design of remetinostat enables topical application, making it active only in the skin. As soon as it reaches the blood stream, it is degraded, avoiding the side effects associated with other HDAC inhibitors.

Promising data paves way for a phase III study in CTCL

In the recently completed phase II study, remetinostat demonstrated efficacy on skin lesions, reduction of itching and high tolerability in patients with early-stage CTCL. This positive top-line data showed that patients that were given the highest dose in the study (remetinostat gel 1% twice daily) had the highest proportion of confirmed responses (40 percent, 8 patients out of 20). In addition, 80 percent of the patients in this dose group who had clinically significant itching at baseline experienced a meaningful reduction in the severity of their itching. Remetinostat was well-tolerated and without signs of systemic adverse effects in the study.

Based on the promising phase II results, Medivir has initiated discussions with the US FDA and is preparing for a phase III study in CTCL to be initiated in 2018. Remetinostat has been granted Orphan Drug Designation (ODD) in the US. Medivir also intends to investigate the possibility to use remetinostat in other cancers found in the skin.

"The introduction of remetinostat to the market as a novel agent for the treatment of CTCL is likely to find broad application and lead to novel combination approaches in CTCL."

Pierluigi Porcu, M.D.
Jefferson University Hospital, USA

Read more at www.medivir.com

1) Source: Leukemia & Lymphoma Society.

Birinapant

for the treatment of solid tumors

Despite recent breakthroughs with immuno-oncology agents in cancer treatment, patients with certain types of solid tumors have few or no options and are in need of treatments to extend life. These patients have significant unmet needs.

Birinapant is being developed to enhance responses, and extend survival, of patients with solid tumors where existing treatments do not provide sufficient survival benefit, or where patients no longer have treatment options. Based on its unique design and mechanism, birinapant has the potential to enhance patients' responses in combination with other treatments. Medivir's initial focus is on developing birinapant in combination with an immuno-oncology agent.

A two-fold attack on tumors

Birinapant is a highly potent molecule that binds to and degrades cellular Inhibitor of Apoptosis Proteins (cIAPs), causing their degradation. Degradation of the cIAPs enables cell death in tumor cells, and augments the immune system response, enhancing its attack on the tumor. Through its actions on tumor cells and cells of the immune system, birinapant has the potential to improve the treatment of several types of cancer when used in combination with other drugs, including checkpoint inhibitors and DNA damaging agents.

Combination study with Keytruda®

In August 2017, Medivir initiated a clinical phase I/II study of birinapant in combination with Keytruda®, to clinically demonstrate birinapant's effect as a combination treatment for patients with treatment-resistant solid tumors.

The multicenter, single arm, open label study, which is primarily being run in the US, will be conducted in two parts. In the initial dose escalation (phase I) part of the study, the objective is to identify the recommended phase II dose of birinapant for use in combination with Keytruda®. The second part of the study will evaluate the preliminary efficacy as well as the safety and tolerability of birinapant in combination with Keytruda® in several cohorts.

Medivir has an agreement with Merck & Co. under which Merck provides Keytruda® for this trial at no cost to Medivir and participates on a Joint Development Committee bringing their considerable immuno-oncology expertise. Medivir retains all rights to birinapant as well as the data generated. It is likely that after demonstrating clinical efficacy, Medivir would out-license birinapant to a partner with global development and commercialization capabilities within oncology, potentially prior to phase III. In order for birinapant to be further developed in combination with an immunotherapy-based treatment, a partner owning the rights to such treatments would be desirable.

PHASE I PHASE II PHASE III

Solid tumors (combo with Keytruda®)

Unmet medical need
To enhance responses, and extend survival, of patients with solid tumors.

Medivir's approach
Birinapant is a SMAC mimetic. Preclinical studies have established its potential to be combined with immunooncology drugs, and other classes of cancer drugs, to enhance responses in patients.

Next step
Start expansion studies, (phase II) portion of the phase I/II trial, once dose has been selected in dose-escalation part (phase I).

Market potential

Revenues of PD-1 inhibitors[1)]

The market for immuno-oncology agents is a multi-billion dollar market, and growing.

"The combination of birinapant's unique dual action with immune checkpoint inhibitors is an exciting approach that could benefit patients with many different cancers."

John Öhd,
Chief Medical Officer, Medivir

1) Merck (Keytruda) and Bristol-Myers Squibb (Opdivo) financial reports, twelve months ended September 30 2017.

Read more at www.medivir.com

MIV-818

for the treatment of liver cancers

Liver cancer is the second highest cause of cancer-related death worldwide[1]. MIV-818 is specifically being developed for patients with advanced liver cancers for whom existing treatment options provide very little survival benefit.

PHASE I PHASE II PHASE III

Hepatocellular carcinoma, liver cancers

Unmet medical need
Limited overall benefit, taken together with the poor overall prognosis for patients with intermediate and advanced HCC.

Medivir's approach
MIV-818 is a nucleoside pro-drug delivering its active metabolite via oral administration to cancers in the liver while increasing the therapeutic window.

Next step
Start of clinical phase I/II study.

Market potential

> USD 1 billion

There are 66,000 patients living with liver cancer in the US, and the current 5-year survival rate is 17.6%[2]. With more efficacious drugs or combinations, the market potential will increase even further.

Although existing therapies for advanced hepatocellular carcinoma (HCC) are capable of extending the lives of patients with HCC, treatment benefits are low while death rates remain high. HCC is a very diverse disease with multiple cancer cell types and without specific mutations seen in other tumor types. This has contributed to the lack of success of molecularly targeted agents in HCC. The limited overall benefit, taken together with the poor overall prognosis for patients with intermediate and advanced HCC, results in a large unmet medical need.

Intrahepatic cholangiocarcinoma, a cancer of the bile duct located inside the liver tissue, accounts for about 15 percent of liver cancers. It has a poor prognosis and no treatment that effectively improves survival. Liver metastases from other tumor sites (principally from colorectal cancer, but also from breast, ovarian and pancreatic cancer) are also a major cause of cancer-related death.

MIV-818, the first oncology drug in development from Medivir's in-house research, has been specifically designed for liver cancers both in its delivery to the liver and in its way of acting, aimed to make it more effective against liver cancer cells specifically. It has the potential to become the first liver-targeted, orally administered drug to benefit patients with HCC and other forms of liver cancer.

Liver-targeted anti-tumor activity – in a pill

MIV-818 is a liver-targeted nucleotide prodrug of troxacitabine. It has been developed to be an orally administered therapeutic with a high level of anti-tumor activity that is targeted for delivery to the liver. The intention is to maximize delivery of the drug to the tumor or tumors, while minimizing the systemic toxicity. The objective is to improve the anti-tumor effect while simultaneously reducing potential side effects.

Potential start of clinical trials late 2018

In November 2016, MIV-818 was selected as a candidate drug for the treatment of HCC and other forms of liver cancer. In early January 2018, the preclinical GLP safety studies to enable the start of clinical trials were successfully completed, and regulatory submissions will be filed in order to obtain approval to start clinical trials. These are expected to start in the second half of 2018.

"Liver cancer is the second leading cause of cancer death worldwide. Through our expertise in delivering neuclotide drugs specifically to the liver, Medivir has the potential to address the very high need of patients for effective new therapies."

Richard Bethell,
Chief Scientific Officer, Medivir

Read more at www.medivir.com

1) WHO World Cancer Report (2014)
2) Howlader N, et al. SEER Cancer Statistics Review, 1975–2014, National Cancer Institute. Bethesda, MD, https://seer.cancer.gov/csr/1975_2014/, based on November 2016 SEER data submission, posted to the SEER web site, April 2017.

MIV-711

for the treatment of osteoarthritis

Osteoarthritis (OA) is the most common form of joint disease and affects some 30 million people in the US alone[1] and an estimated 240 million worldwide.

Up to 40 percent of the population over 65 suffer from osteoarthritis, characterized by pain and varying degrees of inflammation in one or more joints, mainly knees, hips and hands. Osteoarthritis in weight-bearing joints, like knees and hips, induces an increasing level of pain and decreased mobility for the patient, and may eventually result in joint replacement surgery.

Drugs capable of slowing, stopping or even reversing the progression of the disease are referred to as Disease Modifying Osteoarthritis Drugs. There is currently no such therapy approved for osteoarthritis and current treatments affect only day to day symptoms without affecting degenerative changes in the diseased joint.[2] Standard of care is based on changes in life style and the use of analgesics. The long-term use of analgesics by osteoarthritis patients is associated with an increased risk of side effects such as gastrointestinal bleeding and opioid dependency.

Recent scientific work suggests that two processes – increased bone turnover and cartilage degradation – are involved in the development and progression of OA. Treatments that target both bone resorption and cartilage degradation may have an improved chance to demonstrate a clinical effect.

> "The finding that MIV-711 slows the degenerative changes on both bone and cartilage in knees affected by OA is an enormously exciting finding."
>
> Philip Conaghan, Professor of Musculosceletal Medicine at the University of Leeds, UK. Lead investigator on the MIV-711-201 study

Through its targeting of both bone resorption and cartilage degradation MIV-711 has a unique potential to be the first disease-modifying treatment for OA. It is administered orally once daily, making it convenient for patients.

Targets the two major tissues involved at the same time

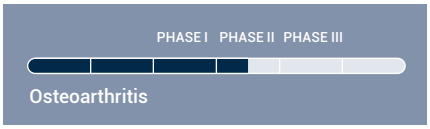
Cathepsin K is a protease that breaks down collagen, a protein that plays an important role in the structural integrity of both bone and cartilage. Medivir's research in preclinical models has demonstrated that inhibition of cathepsin K can reduce the rate of joint destruction of osteoarthritis, and these findings have now been supported in clinical studies.

Benefits on both bone and cartilage

Medivir's phase II clinical program for MIV-711 was initiated in January 2016. The first part was the MIV-711-201 study, evaluating six months of treatment with two doses of MIV-711 in patients with moderate knee OA. Positive top-line results were released in September 2017. This was the first time that data demonstrated clinical benefits on both joint bone and cartilage in osteoarthritis patients after only six months of treatment.

The objective of the ongoing extension study MIV-711-202, for patients who have completed six months of treatment in MIV-711-201, is to evaluate safety, tolerability and efficacy of an additional 6-month treatment with MIV-711. Headline data from the extension study is expected during the first half of 2018.

In August 2017, the US FDA accepted Medivir's IND application, which meant that clinical development of MIV-711 could begin in the US. MIV-711's importance was further confirmed in October 2017 when the FDA granted Fast Track designation for MIV-711 as a disease-modifying agent for osteoarthritis.



Unmet medical need
No treatment with disease-modifying properties is available for osteoarthritis.

Medivir's approach
The cathepsin K inhibitor MIV-711 affects the osteoarthritic joint positively by improving its joint bone and cartilage tissues.

Next step
Find a commercial partner for future development.

Market potential

In the US alone, around 2 million adults suffer from moderate osteoarthritis in weight-bearing joints, representing a total market potential in excess of USD 6 billion.

Read more at www.medivir.com

1) https://www.cdc.gov/arthritis/basics/osteoarthritis.htm
2) https://www.oarsi.org/sites/default/files/docs/2016/oarsi_white_paper_oa_serious_disease_121416_1.pdf

Research projects

Medivir's approaches to the discovery of novel anticancer drugs is based on its core scientific areas of expertise of nucleoside and nucleotide science, and protease inhibitor design.

Solid knowledge paves the way for future nucleoside and nucleotide drugs

Nucleoside analogues are widely used as drugs to treat both viral infections (e.g. acyclovir and lamivudine) and cancer (e.g. gemcitabine and 5-fluorouracil). These drugs usually require conversion to nucleotides within cells in order to be effective, and these intracellular processes can be slow and inefficient. Medivir has developed expertise in modifying nucleoside analogues to bypass these inefficient processes, resulting in more potent drugs that can also be targeted to specific organs. This class of molecules are nucleotide prodrugs.

The development of Xerclear (Zoviduo®), which was approved for the treatment of labial herpes in 2009, is proof of Medivir's nucleoside comptence. MIV-802 and MIV-818 are both liver-targeted nucleotide prodrugs of nucleoside analogues.

An example of Medivir's ongoing nucleotide research is the Leukotide project. The aim of the Leukotide project is to develop a better tolerated and more effective agent that can lead to improved treatment outcomes for patients with acute myeloid leukemia (AML) and other hematological cancers. AML is a relatively rare cancer, with around 21,000 cases expected in the US in 2017. The prognosis is poor for many AML patients, especially those who are elderly, because they are often unable to tolerate the intensive treatments currently used to cure the disease. Five-year survival of patients in the US diagnosed with AML was 27 percent in the period 2007–2013. With Medivir's nucleotide prodrug innovation, Leukotide may be able to improve outcomes for patients, and especially frail patients, with AML.

Protease inhibitors – aiming for new transformative drugs

Proteases are involved in a number of processes that are essential to initiate and sustain tumor growth. Medivir has historically targeted viral proteases in its R&D work, with simeprevir (Olysio) for hepatitis C as the clearest example of our success to date. MIV-711, under development for osteoarthritis, is also a protease inhibitor.

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. DUBs are proteases and Medivir is applying our strength in protease inhibitor design to investigate multiple DUB targets. Medivir is also collaborating with several academic groups at the Karolinska Institutet Stockholm to identify additional DUBs that could be targeted in order to treat certain cancers.

The aim of the Leukotide project is to develop a better tolerated and more effective agent that can lead to improved treatment outcomes for patients with acute myeloid leukemia (AML) and other hematological cancers.

Partnered projects

Medivir actively cooperates with academia and industrial partners in order to, when needed, provide specialist knowledge, experience and specific skills to our projects in different phases. When collaboration can increase the value, projects are out-licensed to partners, who usually assume responsibility for later phases of development and commercialization.

Xerclear®

In 2009, Xerclear® (Zoviduo®) was approved for the treatment of labial herpes. The marketing rights to Xerclear® in the USA, Canada and Mexico were divested in 2010, while the corresponding rights in Europe and the rest of the world have been out-licensed to GlaxoSmithKline, with the exception of China, where Medivir has appointed a local distributor, and Israel and South America where Medivir has retained the rights.

Partner
GlaxoSmithKline.

Project status and Medivir participation
Medivir receives royalties on sales of Xerclear®/(Zoviduo®) from GlaxoSmithKline. Including 2017, the cumulative royalties received thus far amounts to approximately 350 SEK million. In addition, Medivir would receive milestones when Zoviduo® is approved as an over the counter product in certain new markets.

MIV-802

MIV-802 is a potent, pan-genotypic nucleotide-based inhibitor of the HCV NS5B polymerase, which is currently in preclinical development. Hepatitis C treatment comprises a combination of several pharmaceuticals with different mechanisms. Nucleotides are generally regarded as an important component of any such combination treatment, due to their potent and broad spectrum antiviral effect on multiple HCV genotypes and high barriers to resistance. Preclinical data indicate that MIV-802 can be used effectively in combination with other classes of antiviral agents for the treatment of HCV, including protease inhibitors and NS5A inhibitors.

Partners
Trek Therapeutics and Ascletis.

Project status and Medivir participation
In 2016, Medivir entered into a licensing agreement with Trek Therapeutics for the exclusive rights to develop and commercialize MIV-802 globally, excluding China, Taiwan, Hong Kong and Macau. Under the terms of the agreements, Medivir is entitled to receive milestones based on successful clinical development and royalties capped at a mid-teens -percentage upon commercialization of MIV-802 containing products.

In August 2017, it was announced that Ascletis has licensed the exclusive rights to develop, manufacture and commercialize MIV-802, in Greater China. Under the terms of the agreement, Medivir received an upfront payment, and is entitled to receive milestones based on successful development through commercial launch and tiered royalties on net sales of MIV-802 containing products. Ascletis will fund clinical development, manufacturing and commercialization of MIV-802 in Greater China.

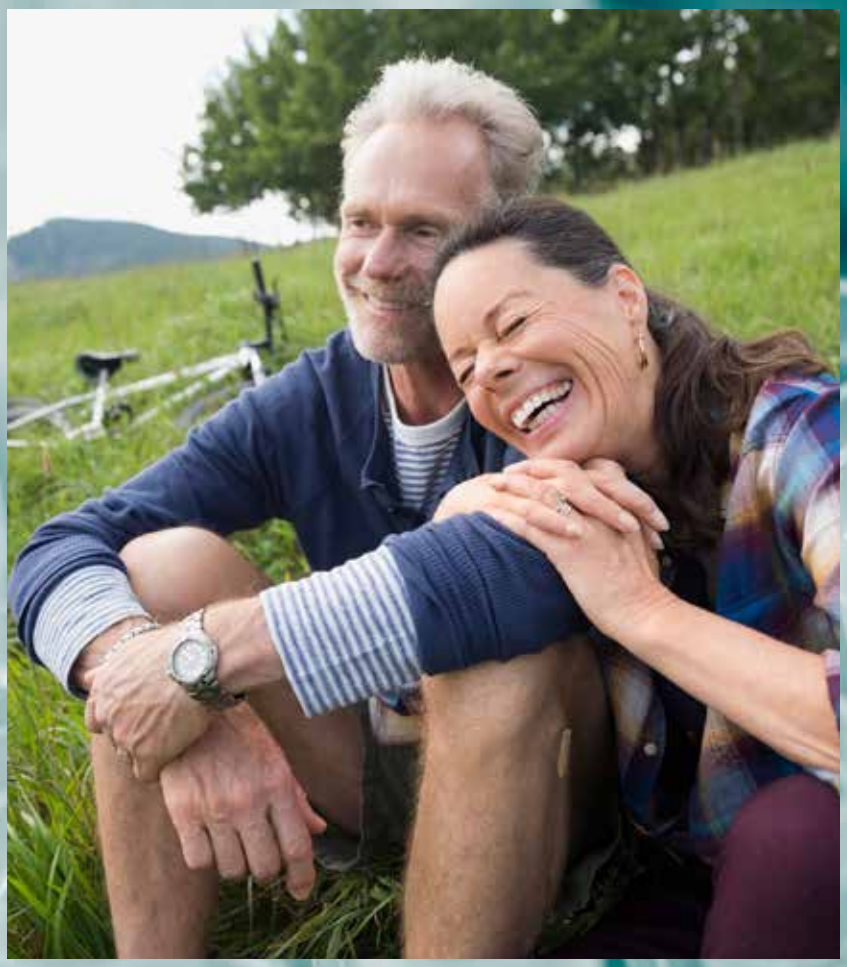
Simeprevir/OLYSIO®

Simeprevir is an inhibitor of the HCV NS3/4A protease that has been jointly developed by Janssen R&D Ireland and Medivir AB. Simeprevir (OLYSIO®) was approved in the USA in 2013 and granted marketing authorization in the EU in May 2014. Additional marketing authorizations 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. Janssen decided in December 2017 to terminate its license. The license expires in June 2018.

Partners
Johnson & Johnson.

Project status and Medivir participation
Medivir will continue to receive royalties until June 2018.

Medivir supports sustainable value by researching and developing pharmaceutical products that can extend and improve the quality of people's lives.



Sustainable development

Medivir's vision, to improve life for cancer patients trough transformative drugs, is a statement that inherently says how important sustainability is for the company.

The operations are conducted in compliance with regulatory guidelines and industry standards that in a natural way integrates many of the most important sustainability issues. The company also works according to the ten principles of the UN Global Compact Program, which includes human rights, working conditions, the environment and corruption.

Medivir's sustainability work focuses on conducting research and development in accordance with ethical rules and guidelines, taking into account the environmental impact of both its own operations and those of our suppliers. Medivir also strives to ensure that it provides a safe and developmental work environment, attractive to both today's and tomorrow's employees.

Product development in a regulated environment

Pharmaceutical development takes place in a strictly regulated environment. Trials and studies are required throughout the preclinical and clinical phases of development, in order to ensure that the resulting drugs are both efficacious and safe. These trials and studies, which are carried out both by Medivir and contracted, specialist companies, are structured in accordance with applicable standards, guidelines, and directives, e.g. Good Clinical Practice (GCP). Both risk and benefit assessments are conducted. Official regulatory approvals are always required for clinical studies, which are then carried out within the framework of the regulatory and ethical regulations of the countries in question. The requisite permits from regulatory authorities and ethics committees are only issued when Medivir is able to demonstrate satisfactory risk and benefit assessments.

Consideration for the environment

Medivir's biggest contribution to reducing its environmental footprint comes from the development of substances which have the desired beneficial effect but which also have a minimal environmental impact from a life-cycle perspective.

Medivir takes a systematic approach to its operations' direct environmental footprint in line with the company's environmental policy. Focus is on reducing energy and resource consumption and improving waste management. Medivir endeavors to reduce its resource consumption by recycling materials wherever possible. The company has established strong routines for recycling paper, plastic consumables, glass packaging and cardboard. Environmental issues also form part of the assessment aspect of all procurement processes for goods and services.

For Medivir, the sustainability work is not limited to its own internal business. For the production of substances and products for preclinical and clinical development, Medivir employs subcontractors. This ensures that the subcontractors that can be hired in the preclinical and clinical development phase comply with all applicable environmental and other provisions before entering into an agreement. In the case of long-term contractual relationships, there are also regular follow-ups.

Medivir is continuously working to reduce the use and management of hazardous substances and hazardous waste. The research facility in Huddinge handles limited amounts of hazardous waste, primarily in the form of solvents and chemically contaminated materials. Hazardous waste that cannot be recycled shall be stored, processed and disposed of in accordance with specified hazardous waste handling guidelines.

Also in the collaboration with our partner in India, GVK Bio, Medivir sets demands on factors such as environmental impact, chemical use and the handling of chemicals. Equally important is the working environment and the working conditions. This is monitored continuously as Medivir's research and development takes place in the close collaboration with GVK Bio, with frequent visits to India, where also sustainability rules and other factors are monitored and addressed.

Medivir is a knowledge-intensive company that wants its employees to be able to attend international conferences and meetings in order to promote development and the exchange of ideas and experiences. We are, however, also keen to reduce the environmental impact caused by unnecessary business trips by encouraging conference calls and online meetings.

Pharmaceutical development takes place in a strictly regulated environment.

Employees

Medivir's ambition is to have the industry's most satisfied employees. Our HR work is based on, among other things, the conviction that developmental opportunities is an important driving force for our employees and that Medivir's success is based on the ability to collaborate, both internally and externally.

Medivir's research and development is organized to combine cost-effectiveness, quality and flexibility. This is achieved through a internal organization with cutting edge competence in design of protease inhibitors and nucleoside / nucleotide science, clinical trial design and regulatory and business developmental leadership. Medivir also prioritizes cooperation with external academic partners, industrial partners and other service providers. Most external activities in chemical synthesis of new molecules are performed, for example, by the research unit at GVK BIO in India on behalf of Medivir.

The company is keen to attract, recruit and develop skilled personnel with a strong commitment to the operations, and who are an ongoing source of ideas for the company's development. We recruit both nationally and internationally for key positions.

In 2017, work began to shape Medivir's new values in collaboration between management and staff. The work has been characterized by commitment and creativity and has resulted in the vision "Improving the life of cancer patients through transformative drugs". This work continues in the spring of 2018, and the values will, among other things, form the basis for employeeship, and the rights and obligations that derive therefrom.

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

Medivir aims, in order to achieve commitment on the part of every employee, to create an understanding both of the company's mission and goals and of the ways in which the individual employee's performance contributes to realizing them. Every employee completes an annual evaluation and performance review in collaboration with his or her manager, and together, they set individual goals for the employee, based on the company's overall goals. The development dialogue is kept separate from the salary review and the performance review.

The career ladder – a clear process for promotion

Medivir believes in offering all its employees good opportunities both for skill development and for a career path within the company. Employees are afforded the opportunity to work across a wide range of areas. The company endeavors to meet its employees' development requirements by offering new roles with greater responsibilities and authority. A clear process for promotions has been established within the R&D organization.

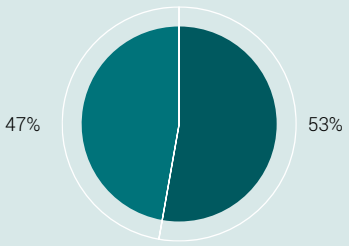
Working climate

Medivir endeavors to create a working environment that promotes health and well-being in the belief that a good working climate lays the foundation for job satisfaction and good relationships, low sick leave rates and low staff turnover rates.

Medivir wants to make it easier for the company's employees to broaden their knowledge and experience, and therefore offers employees the opportunity to change work content and duties whenever possible by working at other departments in the company than their own.

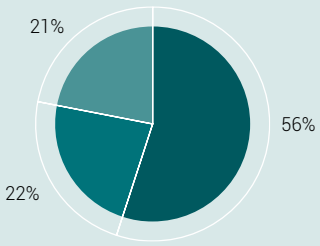
With a new focus on oncology and further developed efficiency work within research and development, Medivir has undergone a comprehensive reorganization in recent years. The new structure was largely completed and launched in 2016. 2017 therefore

Gender breakdown



- Women
- Men

Education breakdown

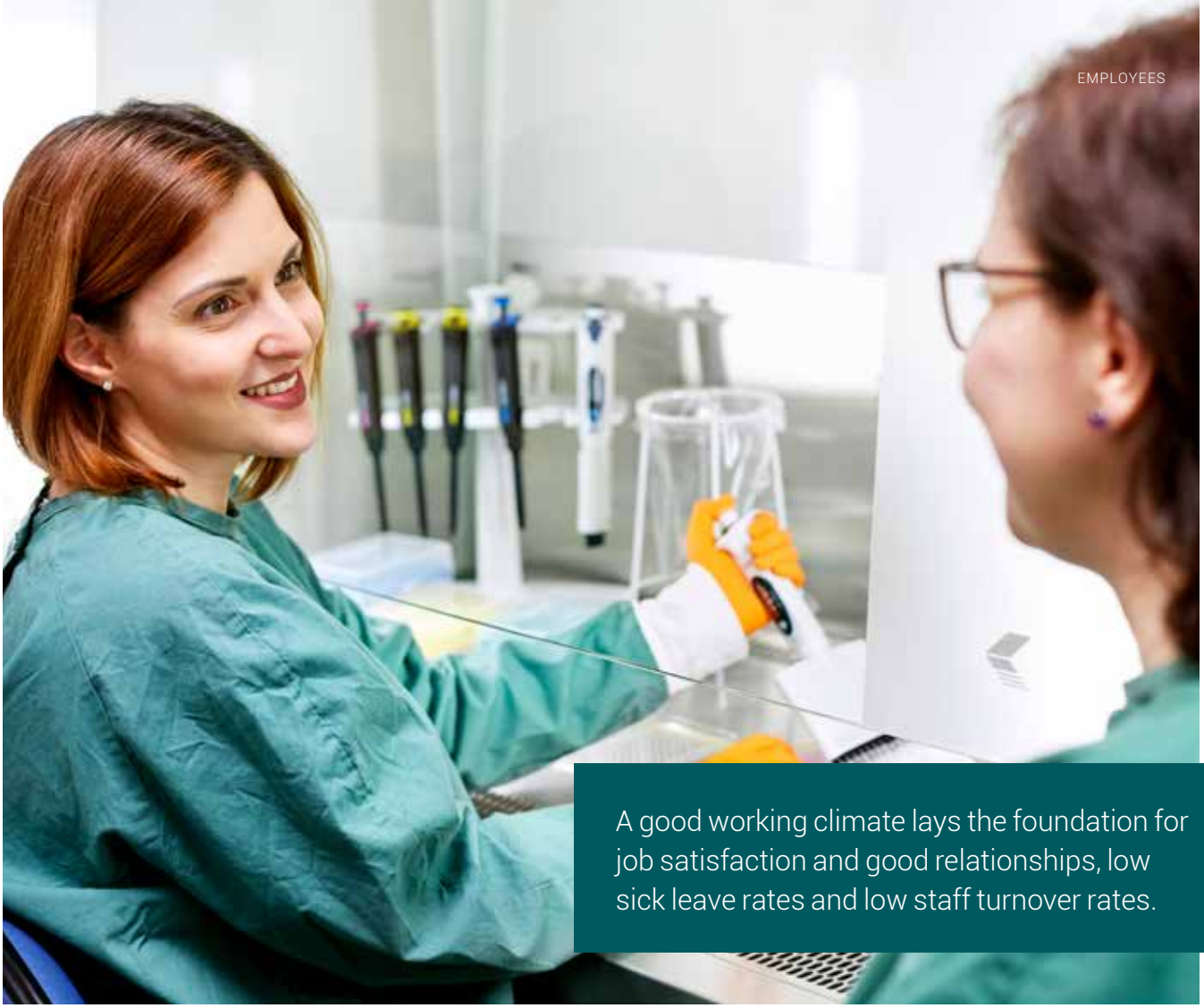


- Doctorates
- University degree
- Other education

Sick leave

1.01%

Average sick leave rate, 2017
1.01%, (2.33)



A good working climate lays the foundation for job satisfaction and good relationships, low sick leave rates and low staff turnover rates.

became a year when the conversion was tested in practice in many ways.

Employees' perceptions of the working climate are primarily captured via regular employee surveys. Management and individual managers attach great weight to the information obtained from the employee survey and endeavor to make changes in line with the results. As of 2018, Medivir will work with monthly employee surveys to further ensure that the organization works and stimulates development while promoting well-being. In the measurement of Satisfied Employees-Index (NMI) for 2017, the company is 71 on a hundred-scale, compared to an average of 69 for participating companies.

All employees were informed in 2017 about the new work environment regulations that came into force during the year, and specially tailored training programs were provided for all managers. Health & Safety representatives have completed in-depth training in work environment activities.

Diversity and equal opportunity

Diversity is important for Medivir and an important basic assessment in the company is that everyone should be offered the same opportunities and treated in the same way, regardless of age, sex, religion, sexual orientation, disability and ethnicity. Medivir is also a truly multicultural environment with about 80 employees operating in three different countries and representing about 18 nationalities.

In order to strengthen the ability to recruit employees from abroad, the company offers a comprehensive solution that facilitates a move to Sweden and contributes to a good start for the newly employed and for their families. The fact that the corporate language is English also facilitates the rapid integration of new employees who do not, as yet, speak Swedish. Knowledge of Swedish is, however, 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. The education has become an important integration project that brings together employees from all levels in the company.

Medivir's gender balance is good throughout the company, with approximately 53 percent of the workforce made up of women. At the end of the year, Medivir's management team, including the President & CEO, comprised seven people, three of whom were women and four, men. At the end of the year, the Board of Directors comprised six people elected by the Annual General Meeting including the Chairman of the Board, two of whom were women and four, men. The Board also includes two Board Members, one man and one woman, appointed by the local trade unions.

The fact that Medivir is an unusually equal company is also illustrated by the AllBright Foundation's ranking in the "green list" for 2017, where Medivir is one of 39 Swedish listed companies – out of a total of 298 – fulfilling the criteria for an even gender distribution.

Recruitment, salaries and benefits

Favorable employment conditions are a prerequisite for Medivir's ability to recruit and retain skilled employees. The company applies individual and differentiated pay scales and endeavors to offer market rate remuneration and benefit packages. Salaries are set on the basis of locally agreed salary criteria.

In 2018, Medivir will further clarify its offering as an employer to potential employees, both inside and outside Sweden. We will do this with the help of, among other things, an expanded social media presence.

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.

Share structure, earnings per share, and equity

There were a total of 20,318,977 (26,966,037) shares in Medivir AB at the year-end, 474,769 (606,358) of which were class A shares and 19,844,208 (26,359,679) class B shares with a nominal value of SEK 8. The average number of shares during the year was 21,963,205 (26,941,310). 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 class A share, which carries enhanced voting rights, is not listed. The share capital at the year-end was SEK 157.7 million (SEK 157.2 m) and the equity totaled SEK 514.1 million (SEK 1,732.9 m).

In February 2018, Medivir completed a new issue of 3,968,841 class B shares. Following the rights issue, there are a total of 24,287,818 shares in Medivir, of which 474,769 class A shares and 23,813,049 class B shares, which together entitle 28,560,739 voting rights. In January 2018, the holders of class A shares announced that all class A shares in Medivir will be converted into class B shares.

Shareholders

There were a total of 8,364 (8,984) shareholders at the year-end, 1,359 (1,561) of whom held 1,000 or more shares. The fifteen biggest shareholders accounted for 46 percent (59%) of the total number of shares and 55 percent (51%) of the total number of votes. Foreign owners accounted for 33 percent (40%) of the total equity.

Share price performance and turnover, 2017

Medivir's share price fell by 50.7 percent from SEK 98.00 to SEK 48.30 in 2017. The Nasdaq Stockholm's Mid Cap index (OMX-SPI) rose by 6.4 percent during the same period. Medivir's market capitalization at the end of 2017 was SEK 0.98 (2.58) billion, based on the closing price paid at the year-end of SEK 48.30. A total of 14,466,822 Medivir shares were traded on the Nasdaq Stockholm in 2017, corresponding to a turnover rate of 0.7 percent. The average daily trading volume during the year was 57,637 shares. The Medivir share is primarily traded on the Nasdaq Stockholm.

Share-related incentive plans

The intention of long-term incentive plans is to create the conditions for retaining and recruiting competent staff to the Group, as well as offering employees an attractive opportunity to become a partner in the company to promote and stimulate continued corporate loyalty by combining shareholders and employees' interests. At the AGM 2017, a new option-based program was decided and the company issued 48,515 warrants during the second quarter. The warrants were issued at the market value of SEK 9.41 per option and with the exercise price SEK 89.36 per share. In the fourth quarter, the company issued an additional 9,320 warrants. The warrants were issued at the market value of SEK 3.98 per option and with the exercise price SEK 89.36 per share. The total of 57,835 warrants can be redeemed to subscribe for new B shares during the period from December 16, 2020 through January 15, 2021. For a more detailed description, see note 4 on pages 61–62.

Shareholder agreement and pre-emption

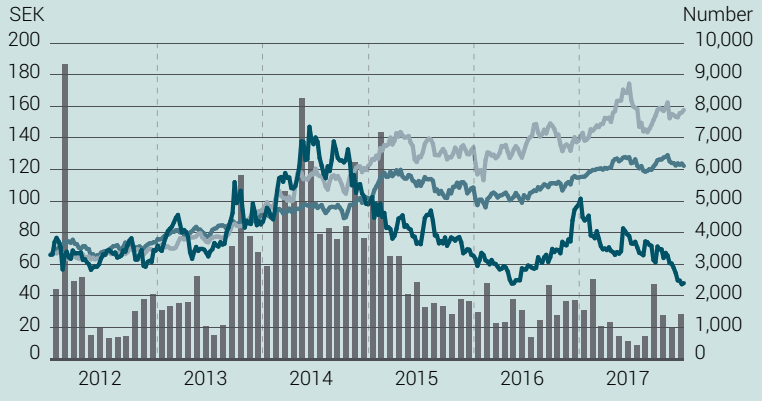
There is an agreement between the holders of Medivir's class A shares whereby the parties undertake to abide by the decisions on current issues mutually agreed before the General Meeting. If, during their preparatory decisions, the parties are unable to agree on a particular issue, the decision shall 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.

In January 2018, the holders of class A shares announced that all class A shares in Medivir will be converted into class B shares.

Transfer authorization

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 transfer the company's own shares. At the end of 2017, Medivir's holding of its own shares, acquired at an average price of SEK 80.0, totaled 11,413 (49,455). The 38,042 shares transferred during the year have been used within the framework of the company's LTI 2014 incentive plan. For full information, please see medivir.com/the share.

Share price performance and turnover 2012–2017



Source: SIX Trust

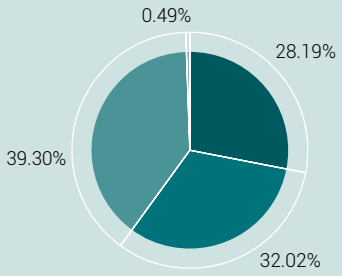
Medivir's 15 largest shareholders 31 December 2017[1)]

Name	Class A Shares	Class B Shares	% of votes	% of capital
Bo Öberg	233,000	114,744	9.9	1.7
Nils Gunnar Johansson	182,625	52,799	7.6	1.2
Nordea Investment Funds		1,744,563	7.1	8.6
MSIL IPB Client account		1,313,070	5.3	6.5
Linc AB		958,283	3.9	4.7
UNIONEN		774,129	3.2	3.8
Hans Sköld		680,729	2.8	3.4
Credit Suisse SA		679,925	2.8	3.4
Avanza Pension		643,620	2.6	3.2
Christer Sahlberg	59,144	20,898	2.5	0.4
Ålandsbanken		603,074	2.5	3.0
Danica Pension		474,612	1.9	2.3
Clients Account DCS		266,308	1.1	1.3
Nordnet pensionsförsäkring AB		243,674	1.0	1.2
SEB life international assurance		220,000	0.9	1.1
Total, 15 largest shareholders	**474,769**	**8,790,428**	**55.1**	**45.6**
Total, other shareholders		**11,053,780**	**45.0**	**54.4**
TOTAL	**474,769**	**19,844,208**	**100**	**100**

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 categories, % of capital



Source: VPC Analys

Analysts

Carnegie Investment Bank AB
Ulrik Trattner and Erik Hultgård

Penser Fondkommission
Johan Löchen

Svenska Handelsbanken
Peter Sehested

Shareholder breakdown by size of holding 31 December 2017

No. of shares	No. of shareholders	No. class A shares	No. class B shares	% of capital	% of votes
1 – 100	4,011		143,565	0.71	0.58
101 – 1,000	3,164		1,209,076	5.95	4.92
1,001 – 5,000	823		1,884,416	9.27	7.66
5,001 – 20 000	253		2,570,011	12.65	10.45
20,001 – 100 000	84	59,144	3,508,432	17.56	16.67
100,001 –	29	415,625	10,528,708	53.86	59.71
Total	**8,364**	**474,769**	**19,844,208**	**100**	**100**

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 program and bonus issue	6	858,635	157,158,770	606,358	26,359,679	26,966,037
2017	Redemption program and bonus issue	8	533,818	157,692,558	474,769	19,844,208	20,318,977
2018	New share issue	8	30,801,590	188,494,179	474,769	23,813,049	24,287,818

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Notes

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 2017 financial year. All figures refer to the 2017 financial year of the Group, unless otherwise indicated. Comparisons, unless otherwise indicated, are made with the 2016 financial year.

The Medivir Group comprises the Parent Company, Medivir AB, and five subsidiary companies, three of which are registered in the UK. The subsidiary companies are currently dormant. The Parent Company's shares are quoted on the NASDAQ Stockholm Stock Exchange list for medium-sized companies (MidCap). For additional information, please see www.medivir.se.

Medivir is a research-based pharmaceutical company with a focus on oncology. The company has cutting-edge competence within protease inhibitor design and nucleotide/nucleoside science and is dedicated to developing innovative pharmaceuticals that meet substantial and unmet medical needs. For a detailed description of Medivir's research areas and project portfolio, see pages 10–20.

Significant events in 2017

Management group strengthened

Christine Lind took over as the new President & CEO of Medivir AB in April. She succeeds Niklas Prager, who had held the position since 2014. In June, John Öhd was appointed CMO (Chief Medical Officer). November saw the appointment of both Erik Björk as CFO (Chief Financial Officer) and Christina Herder, who was appointed Executive Vice President, Strategic Business Development. Erik Björk and Christina Herder took up their new positions in January 2018 and December 2017, respectively.

Voluntary redemption program

The results of the voluntary redemption program approved at the Extraordinary General Meeting held on 2 February and comprising a total of 6,738,655 shares in Medivir, were announced in March. At the end of the subscription period, a total of 6,647,060 shares had been registered for redemption, whereof 131,589 class A shares and 6,515,471 class B shares, corresponding to an acceptance rate of 98.6 percent. In total, cash proceeds of approximately SEK 857.5 million were distributed to the shareholders, corresponding to SEK 129 per redeemed share. The number of outstanding shares in Medivir upon completion of the redemption program was 20,318,977, comprising 474,769 class A shares and 19,844,208 class B shares. The total number of votes was 24,591,898.

Long-term incentive plans

The purpose of long-term incentive plans is to generate the conditions for retaining and recruiting competent personnel 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 previous incentive plan was terminated in 2016 and the allocation of 38,042 class B shares to those employees who had invested in the plan occurred in January 2017. A new stock option-based plan was approved at the 2017 Annual General Meeting. The company issued 48,515 warrants to subscribe in the second quarter. The warrants were issued at a market value of SEK 9.41 per warrant and with a strike price of SEK 89.36 per share. In the fourth quarter, the company issued a further 9,320 warrants at a market value of SEK 3.98 per warrant and with a strike price of SEK 89.36 per share. The total of 57,835 warrants may be redeemed to subscribe for new class B shares during the period from 16 December 2020 up to and including 15 January 2021.

Proprietary projects

Remetinostat

In October, the company announced efficacy and safety data results from the phase II study evaluating remetinostat gel in patients with early stage cutaneous T-cell lymphoma (CTCL). The study demonstrated a reduction in the severity of skin lesions from the topical application of remetinostat gel 1%, twice daily. Remetinostat achieved a clinically significant reduction in the severity of pruritus (itching) in those patients with clinically significant pruritus at the start of the study. Remetinostat was also highly tolerable with no systemic adverse effects.

Birinapant

In August, the company announced that the first patient had been enrolled in the company's phase I/II study of birinapant in combination with Merck & Co Inc's anti-PD-1 therapy, Keytruda®. The objectives of the study are to evaluate the safety, tolerability and preliminary efficacy of this combination in patients with treatment-resistant solid tumors.

MIV-711

In August, the US Food and Drug Administration, the FDA, accepted Medivir's Investigational New Drug (IND) application for MIV-711, and in October, the FDA granted Fast Track designation. The FDA's Fast Track program is designed to facilitate the development and expedite the review of new drugs that are intended to treat serious or life-threatening conditions.

In September, Medivir presented positive top-line results from the company's first phase IIa study (MIV-711-201), in which a 6-month course of treatment with MIV-711 in patients with moderate osteoarthritis of the knee were evaluated. Patients who received MIV-711 had significantly lower increases in bone area and cartilage loss in the diseased knee compared to patients who received placebo. With clinical data demonstrating MIV-711's potential to be the first disease modifying drug for osteoarthritis, Medivir has retained strategic advisors to seek potential partners for the future development of MIV-711.

Partnership projects

MIV-802

In August, Medivir entered into a licensing agreement granting Ascletis exclusive rights to develop, manufacture and commercialize Medivir's nucleotide-based polymerase inhibitor, MIV-802, for the treatment of hepatitis C viral infections in China, Taiwan, Hong Kong and Macau. Under the terms of

the agreement, Medivir received an upfront payment, and is entitled to receive milestones based on successful development through commercial launch and tiered royalties on net sales of MIV-802 containing products. Ascletis will fund clinical development, manufacturing and commercialization of MIV-802 in Greater China.

Simeprevir

In December, Medivir announced that its partner, Janssen Pharmaceuticals Inc., has decided to terminate its simeprevir license due to Janssen's assessment of market demand. The termination of the license will become effective in June 2018 and Medivir will continue to receive royalties on any remaining sales of Olysio® (simeprevir) that Janssen will make until that time. Medivir's royalty on the global sales of simeprevir in 2017 totaled SEK 28.3 million (60.3 m).

Significant events after the end of the financial year

In January, the Board of Directors of Medivir announced that it would seek authorization for a new share issue in order to increase the company's financial flexibility, and accordingly convened an Extraordinary General Meeting. Medivir simultaneously announced that the company's class A shareholders had informed the company that they intend to convert all of their class A shares in Medivir to class B shares. There will no longer be any outstanding class A shares after the conversion, but the total number of shares in the company is unaffected. The Extraordinary General Meeting, which was held on 26 January, resolved to grant the Board an extended mandate to issue new class B shares in a deviation from the shareholders' pre-emptive rights. The total number of shares that may be issued in accordance with the resolution may not exceed 20 percent of the total number of class B shares extant on the date of the Meeting's resolution. The Extraordinary General Meeting further resolved that the Board may issue new class B shares with pre-emptive rights for the company's shareholders.

On 2 February 2018, Medivir executed a directed share issue for approximately SEK 155 million before transaction costs. The new shareholders comprise, amongst others, investors specializing in the life sciences sector.

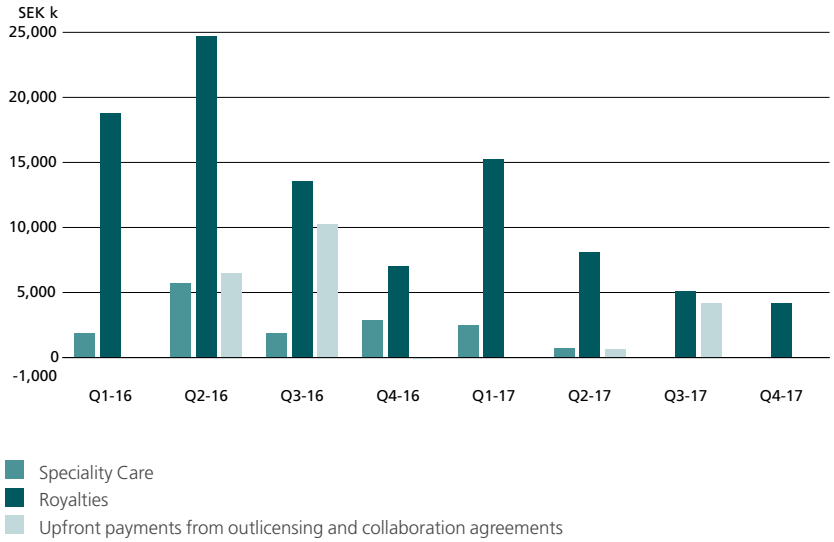
Preclinical safety studies of MIV-818 were successfully completed and Medivir intends, during the first half of 2018, to submit the requisite regulatory applications to the authorities. The first clinical trials of MIV-818 are then scheduled to commence in the latter half of 2018. MIV-818 is Medivir's proprietary nucleotide prodrug which targets the liver and is being developed for the treatment of hepatocellular carcinoma (HCC) and other liver cancers. This is the first development project to develop from Medivir's own research in the field of oncology.

The Nomination Committee has agreed, ahead of the upcoming 2018 AGM, to propose that a new Board of Directors be appointed by means of the re-election of the Board's existing Members, namely Anders Hallberg, Bengt Julander, Helena Levander, Anna Malm Bernsten and Bengt Westermark, and the new election of two Members, namely Uli Hacksell and Lennart Hansson. The Nomination Committee proposes the re-election of Anna Malm Bernsten as Chairman of the Board. Anders Ekblom has declined re-election.

In March, it was announced that John Öhd, Chief Medical Officer at Medivir, has decided to leave the company. He will remain with Medivir until July 15, 2018. A recruitment process to find a new Chief Medical Officer has been initiated.

Breakdown of net turnover

SEK m	2017	2016
Upfront and milestone payments	660	16,744
Pharmaceutical sales	2,487	12,264
Royalties	32,744	64,036
Other services	748	–
Total	**36,639**	**93,043**



The Group's results and financial position

Revenues, expenses, and results

Net turnover for the period from January to December totaled SEK 36.6 million (93.0 m), corresponding to a decrease of SEK 56.4 million that was attributable to the decline in royalty income from simeprevir and to the receipt by the company in the comparison year of both a non-recurrent payment of SEK 10.3 million for the outlicensing of MIV-802 and a milestone payment of SEK 6.5 million. Income from Medivir's pharmaceutical sales of Olysio during the period totaled SEK 2.5 million (12.3 m).

Royalty income from Janssen's sales of simeprevir and GlaxoSmithKline's sales of Xerclear (Zoviduo) during the period totaled SEK 32.7 million (64.0 m). Other operating income totaled SEK 9.9 million (12.7 m) and referred, primarily, to the letting of research premises in the UK.

From 1 January 2017, the Income Statement is presented in accordance with the classification by type of cost method. The

classified by function method was previously used. The sole effect of the change is a revision of the Income Statement structure. The net profit/loss for the periods presented is not affected.

The cost of goods sold totaled SEK –1.7 million (–3.1 m) and referred to the now discontinued pharmaceutical sales operations.

Other external costs during the period amounted to SEK –281.1 million (–237.7 m), corresponding to an increase of SEK 43.4 million. The increase was due to the progression of the company's research portfolio and to the fact that more later phase projects or trials are now being conducted than was previously the case, and to a bad debt loss of SEK 9.8 million (0 m).

Personnel costs totaled SEK –104.9 million (–162.7 m), corresponding to a decrease of SEK 57.8 million, which was due to the reorganization carried out in 2016.

Depreciation and write-downs totaled SEK –20.3 million (–11.8 m), of which SEK –8.9 million comprised the cost of write-downs of the RSV project during the period.

Net financial items totaled SEK 3.1 million (5.7 m), corresponding to a decrease of SEK 2.6 million. The decrease was due to a reduction in financial assets and comprises unrealized profits attributable to positive market valuations of short-term interest-bearing investments. Overheads totaled SEK –387.7 million (–403.5 m), SEK –20.6 million (–52.6 m) of which comprised non-recurrent costs.

Medivir posted an operating profit of SEK –362.8 million (–312.4 m), corresponding to a decrease of SEK 50.4 million. This decrease was due to the reduction in royalty income attributable to simeprevir (OLYSIO®) and to non-recurrent income in the preceding year. External costs increased and are attributable to ongoing research and development programs, and to the fact that the company incurred bad debt losses. The increased external costs are, to some extent, offset by lower personnel costs. Adjusted for non-recurrent items, the operating profit was SEK –342.2 million (–259.8 m).

The tax cost for the period was SEK –0.5 million (11.9 m). The Group's tax cost is based on a tax rate of 22 percent. The deficit in Medivir AB is not capitalized and hence no deferred tax is credited to the profit/loss.

The net profit/loss for the period was SEK –360.2 million (282.9 m).

Cash flow and financial position

Cash and cash equivalents, including short-term investments with a maximum term of three months, totaled SEK 467.8 million (1,698.5 m) at the period end, corresponding to a decrease of SEK 1,230.7 million. The corresponding amount at the beginning of 2017 was SEK 1,698.5 million (1,077.9 m). Royalty payments for the fourth quarter totaled SEK 4.2 million (7.1 m) and are not included in the cash and cash equivalents at the period end. Pledged assets at the period end totaled SEK 0 million (90.0 m) in that pledged assets in connection with the sale of BioPhausia have now been redeemed. Medivir's financial assets are, in accordance with its financial policy, invested in low-risk, interest-bearing securities.

The cash flow from operating activities totaled SEK –358.5 million (–182.3 m), with changes in working capital accounting for SEK –11.6 million (7.4 m) of this total.

The cash flow from investing activities was SEK –13.5 million (803.2 m), and referred to research and office equipment and IT systems. The cash flow from investing activities during the previous financial year was primarily attributable to the divestment of the BioPhausia subsidiary company and the acquisition of assets from Tetralogic Inc.

The cash flow from financing activities amounted to SEK –858.6 million (0 m) and referred primarily to the voluntary redemption program during the period.

Investments, depreciation and amortization

A total of SEK –13.5 million (–106.2 m) was invested in tangible- and intangible fixed assets during the period and related to the purchase of equipment and IT-systems.

Depreciation and amortization of tangible- and intangible fixed assets during the period were charged to the profit/loss for the period in the sum of SEK –11.3 million (–10.9 m) and SEK –8.9 million (–0.8 m), respectively, of which SEK –8.9 million referred to the cost of write-downs of the company's RSV project.

Royalty undertakings

A part 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 innovations. Medivir also conducts research and development work that originates from 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 totaled SEK 2.5 million (5.2 m).

Patents

Patent protection and regulatory protection, such as data exclusivity, orphan drug exclusivity, and paediatric extension, are key components of pharmaceutical development, both for those projects that are developed in-house and those that are inlicensed. At the end of the year, Medivir's patent portfolio comprised 33 patent families, with over 150 patents granted to protect the company's candidate drugs. Medivir is of the opinion that this protection is strong and hence provides adequate and effective protection for Medivir's existing and future commercial position. The company is, furthermore, not currently subject to any claims relating to liability etc. with regard to alleged infringements of third party's incorporeal rights. The FDA has, furthermore, over and above the patent protection, granted orphan drug designation in the USA for the company's candidate drug, remetinostat, for the treatment of cutaneous T-cell lymphoma (CTCL).

Risk 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.

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 authorization 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 authorization for a number of reasons, including the possibility that a pharmaceutical compound is unsafe or ineffective. If Medivir is unable to obtain authorization 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 commercialization of these candidate drugs and may have a significant negative effect on Medivir's ability to retain and complement its project portfolio.

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

Production
Medivir has no proprietary production facilities 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.

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. Once a product has been approved, competitors may also have both greater manufacturing and distribution capacity than Medivir and superior pharmaceutical sales and marketing prospects.

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 organizations. 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.

Product liability and insurance cover
Medivir's operations entail product liability – something that is unavoidable in conjunction with research and development, pre-clinical 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.

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 presently account for a large percentage of Medivir's current and future potential revenues and these partners are, in many cases, significantly larger than Medivir.

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
Developing new pharmaceutical products is expensive and takes a long time. Medivir's revenues depend on the ability, over time, to outlicense or commercialize its research projects and thereby obtain non-recurrent revenues in the form of milestone payments, ongoing royalty payments, or sales revenues. The future profit performance is uncertain. 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 7 on pages 63–65.

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. Transactions with related parties have occurred during the period with a combined value of SEK 0.2 million (1.4 m) in royalty payments made to Uppsala Hallbechem AB (Board Member, Anders Hallberg) and Sybesam AB (former Board Member, Bertil Samuelsson). Bertil Samuelsson is no longer a Member of the Board and is consequently only classified as a related party during the period from January to June 2016. The company purchased no additional services from related parties during the period.

Information security
The importance of protecting the company's information is a high priority for Medivir. The company's IT policy contains guidelines on organization, responsibilities, authorization, 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 with external organizations in order to continuously improve and quality assure its information security.

Employees
At the period end, Medivir had 88 (117) employees (recalculated as full-time positions), 53 percent (54%) of whom were women. 12 (21) of these employees have been given notice but have not, as yet, ceased their employment. The average number of employees during the financial year was 98 (117). Salaries, remuneration and social security contributions totaled SEK 102,631 thousand (171,442 k), for further information, see Note 4. For details of guidelines for remuneration to senior executives approved at the 2017 Annual General Meeting, see the Corporate Governance Report on pages 34–39. See Note 4 with regard to remuneration disbursed to senior executives in the 2017 financial year.

Legal issues
Medivir is not and has not been party to any legal proceedings or arbitration proceedings during the past 12 months that had or could have a material effect on Medivir's financial position or profitability.

Environmental work and occupational health & safety
Medivir creates sustainable value through its research and development of drugs that contribute to give people better/longer lives. Medivir also strives to be a responsible business partner and employer and consequently conducts an active program 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 emphasize, furthermore, the importance of maintaining a good working environment and of minimizing the environmental impact of our operations. Incident reporting is an important tool in ensuring a high standard of occupational health and safety, and all incidents and accidents are, therefore, followed up. The company is not involved in any environmental disputes and no workplace accidents were reported to the Swedish Work Environment Authority in 2017. For additional information on Medivir's environmental and occupational health & safety work, see page 23.

The Parent Company in brief
Medivir AB (publ.), corporate ID no. 556238-4361, is the Parent Company of the Group. The operations comprise research and development, and administrative and managerial functions.

The Parent Company's net turnover totaled SEK 38.5 million (131.0 m). Sales to Group companies amounted to SEK 1.8 million (38.0 m).

Operating costs totaled SEK –401.9 million (–446.7 m). The operating profit/loss was SEK –362.2 million (–311.3 m), corresponding to a decrease of SEK 50.9 million. Net financial items amounted to SEK 3.4 million (4.0 m), corresponding to a deterioration of SEK 0.6 million resulting from a decrease in financial assets and comprising unrealized profits attributable to positive market valuations of short-term interest-bearing investments.

The tax for the period totaled SEK –0.6 million (0.2 m). The profit for the period was SEK –361.3 million (406.3 m), corresponding to a reduction of SEK 767.6 million.

Cash and cash equivalents, including short-term investments with a maximum term of three months, totaled SEK 458.6 million (1,692.5 m).

Summary of future development work
Medivir's future investments will be in oncology, where the company will continue to build on its leading expertise in the design of protease inhibitors and nucleotide/nucleoside research. Ongoing projects outside of this disease area will be prepared for outlicensing. Medivir has a number of projects in the core area of oncology in both early and late development phases, and which are expected to generate long-term shareholder value.

Proposed treatment of non-restricted equity
The following non-restricted equity is available for disposition by the Annual General Meeting.

	SEK
Share premium reserve	476,767,962
Accumulated loss	237,805,505
Net profit for the year[1)]	–363,010,536
Total	**351,562,931**

1) The net profit for the year also includes transaction costs totaling SEK 1,669 thousand.

The Board of Directors proposes that the Annual General Meeting resolve that the above amount, namely SEK 351,562,931, be carried forward.

Dividend
The Board of Directors proposes that no dividend be paid for the 2017 financial year.

Corporate Governance Report

The Medivir Group comprises 6 companies. The Parent Company 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 we endeavor 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 ("the Code")

Medivir has applied the Code since 1 July 2008 and has undertaken to follow best practice, wherever possible, with regard to corporate governance. The company has not deviated from any of the provisions of the Code in 2017.

Decision-making at shareholders' meetings

Medivir's shareholders exercise their right of decision at the AGM and any EGM. Class A shares carry 10 votes, while class B shares carry 1 vote. See pages 26–27 for information on Medivir's share and shareholders.

Annual General Meeting

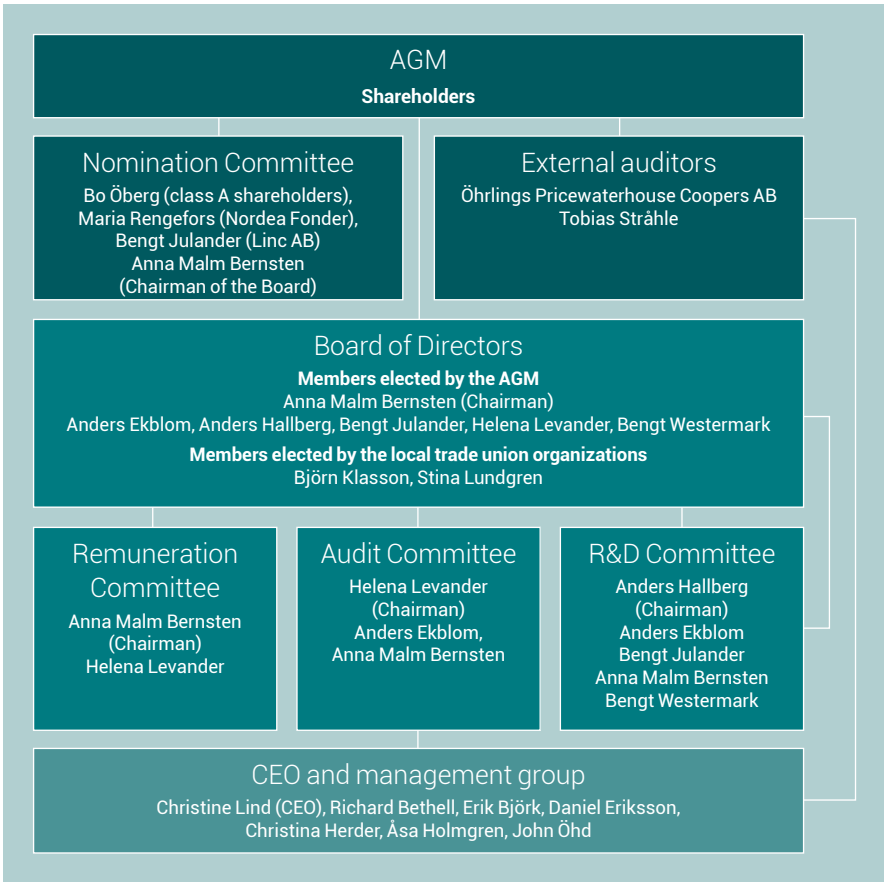
Shareholders exercise their control over the company at the AGM or at EGMs. Minutes from and information on Medivir's General Meetings can be found on the website.

2017 AGM

The AGM was held on 3 May 2017. 85 (138) shareholders attended, either in person or through proxies, representing 36.31 percent (47.97%) of the votes. Attorney-at-Law, Erik Sjöman, was elected Chairman of the Meeting.

Matters resolved by the Board were:

- The re-election of the Board Members, Anna Malm Bernsten, Anders Ekblom, Anders Hallberg and Helena Levander. The new election of two Members, Bengt Julander and Bengt Westermark. Anna Malm Bernsten was re-elected Chairman of the Board.
- The Auditors' fees for the period until the next AGM shall be payable upon approval of their invoice within the framework of the amount quoted.
- Remuneration guidelines 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 maximized at SEK 2,810,000, divided as follows: the Chairman of the Board shall receive SEK 575,000 and other Members who are not employed by the company shall each receive SEK 240,000. Remuneration for committee work shall be paid in a 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 convening officer and SEK 65,000 to each of the other 2 members), SEK 115,000 in respect of the Remuneration Committee (of which SEK 65,000 shall be paid to the 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 convening officer and SEK 80,000 to each of the other 4 members). The Meeting also approved the proposal that Board Members who have placed special emphasis on commercial development and other structural measures on behalf of the company, over and above their Board duties shall, as approved by the Board, be eligible to receive reasonable remuneration for such work, but no more than a combined maximum of SEK 300,000.
- Authorization of the Board on one or more occasions before the next AGM, with or without deviation from the shareholders'



The model reflects the situation as of 31 December 2017.

preferential rights, to approve the new issue of class B shares in a number that shall not, collectively, exceed 10 percent of the total number of class B shares outstanding after utilization of the authorization.
- The issue of warrants as part of an incentive program, as proposed by the Board.

2018 AGM

Medivir's 2018 AGM will be held at 14.00 (CET) on 3 May at the IVA conference center, Grev Turegatan 16, 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 can be contacted by letters in the post to: Styrelsen, Medivir AB, Box 1086, 141 22 Huddinge, Sweden, or by email to: info@medivir.se. See also www.medivir.com.

Nomination Committee

The Nomination Committee procedure adopted at the 2017 AGM means that the Chairman of the Board shall contact the 3 biggest shareholders in terms of the number of votes at the end of the 3rd quarter 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 also be a member of the Nomination Committee. The 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 letters in the post to: Valberedningen, Medivir AB, Box 1086, 141 22 Huddinge, Sweden or by email to: valberedning@medivir.se.

Nomination Committee duties

The duties have changed over the years in order to comply with the requirements of the Code. The primary duty of the Committee continues, however, to be to propose candidates for election to the Board of Directors. The 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.

The Committee must also take into consideration all applicable rules governing the independence of the Board Members. The Committee shall also draw up proposals for resolution by the AGM regarding the remuneration and fees payable to:
- Board Members who are not employed by the company and who are elected by the AGM.
- The Auditor.
- The members of the Nomination Committee.

The Committee has not, to date, proposed the payment of any remuneration to its members. The Committee proposes candidate auditors in consultation with the Audit Committee. The Nomination Committee is tasked with proposing a candidate for election as Chairman of the AGM.

The work of the Nomination Committee ahead of the 2018 AGM

The work begins with a review of a checklist detailing all of the duties of the 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 set for the work. A good understanding of Medivir's operations is vital in enabling the members of the Committee to carry out their duties.

The Chairman of the Board is responsible for the annual appraisal of the work of the Board, 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 Committee is thus able 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 Committee has held seven meetings by 8 March 2018. The Committee's full proposals for the 2018 AGM were published in conjunction with the issue of the notice convening the AGM.

The Nomination Committee's proposal for a new Board of Directors ahead of the 2018 AGM

The composition of the 2017–2018 Nomination Committee was as follows:
- Maria Rengefors, Chairman of the Nomination Committee, and representing Nordea Fonder
- Bo Öberg, representing the class A shareholders
- Bengt Julander, representing Linc AB
- Anna Malm Bernsten, Chairman of the Board of Medivir AB

The Nomination Committee has agreed, ahead of the upcoming 2018 AGM, to propose that a new Board of Directors be appointed by means of the re-election of the Board's existing Members, namely Anders Hallberg, Bengt Julander, Helena Levander, Anna Malm Bernsten and Bengt Westermark, and the new election of two Members, namely Uli Hacksell and Lennart Hansson.

The Nomination Committee proposes the re-election of Anna Malm Bernsten as Chairman of the Board.

Anders Ekblom has declined re-election.

Duties and work of the Board of Directors

The primary duty of the Board 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.

Members of the Nomination Committee

The Nomination Committee ahead of the 2018 AGM (appointed by the biggest shareholders in terms of the number of votes held on 29 Sept. 2017)

Name	Representing	Proportion of votes, % 30 Sept. 2017
Bo Öberg	Class A shareholders	20.0
Maria Rengefors	Nordea Fonder	7.1
Bengt Julander	Linc AB	3.9
Anna Malm Bernsten	Chairman of the Board of Medivir AB, (convenor)	0.0
Total		**31.0**

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

- Strategic orientation and significant objectives.
- Significant issues in relation to the optimization of capital structure, investments, acquisitions, and divestments.
- Monitoring of operations, information provision and organizational issues, incl. appraisals of the Group's executive management.
- Appointment and, when required, dismissal of the 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 Board Member. The Board of Directors elected by the shareholders at the 2017 AGM until the end of the 2018 AGM comprised six Members of the Board and no Deputy Members, including the Chairman of the Board. The Board also includes two Members and two Deputy Members elected by the local trade union organizations. Women make up 37.5 percent of the Board.

The CEO, CFO and Secretary to the Board attend Board Meetings, other than in conjunction with matters where disqualification may be an issue or where it is inappropriate for them to attend, e.g. in conjunction with the evaluation of the CEO's work. See pages 42–43 for a presentation of the Members of the Board.

Rules of Procedure and Board Meetings

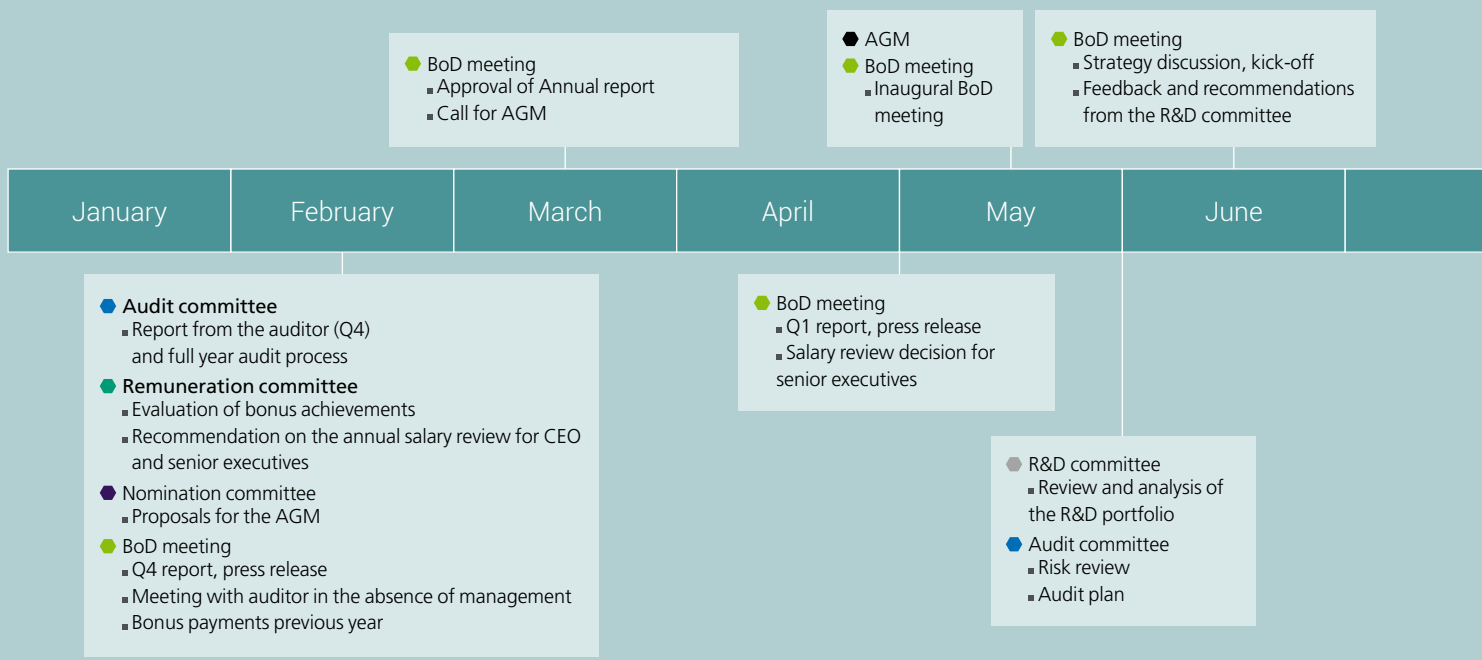
The Board of Directors adopts written Rules of Procedure every year, clarifying the duties of the Board and regulating the division of labor of the Board and its Committees, including the role of the Chairman, the decision-making process within the Board, the Board's schedule of meetings, notices convening Board meetings, agendas and minutes. The Rules of Procedure also regulate how the Board shall receive information and documentation in order to ensure its ability to take well-founded decisions. The Board 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 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, incl. telephone conferences, are held as required.

The duties of the Chairman of the Board

The Chairman is responsible for ensuring that the work of the Board is well-organized, conducted efficiently, and that the Board fulfills its obligations. The Chairman monitors company operations in dialogue with the CEO and is 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 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 has evaluated its work during the

The Board's annual work

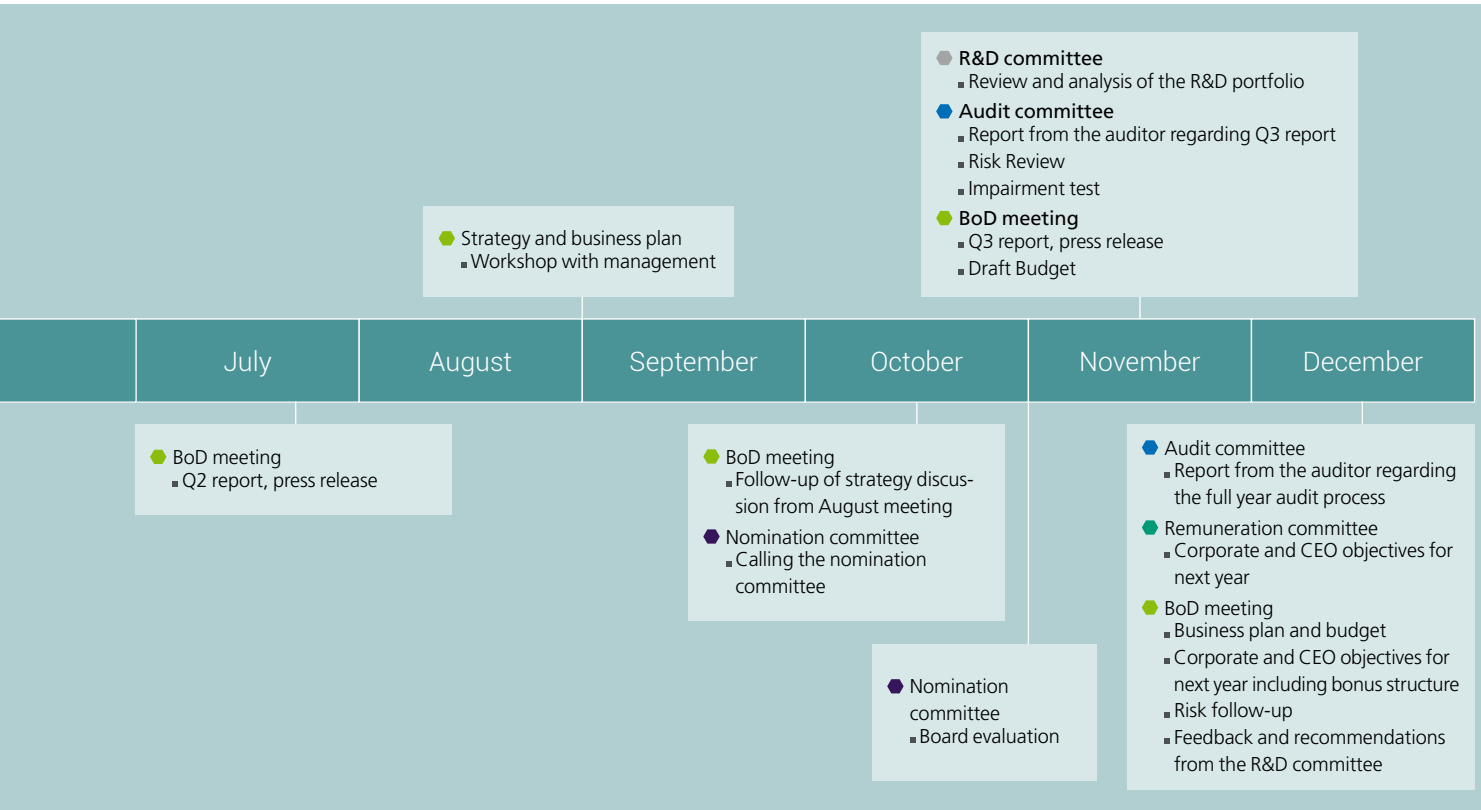


The Board of Directors' attendance and fees[1)]

				PRESENT (TOTAL NUMBER OF MEETINGS)				TOTAL REMUNERATION
Members elected by the AGM	Elected	Born	Independent	Board meetings	Remuneration Committee	Audit Committee	R&D Committee	
Thomas Axelsson[2)]	2016	1959	Yes	6 (7)	4 (4)			–
Anders Ekblom	2014	1954	Yes	17 (17)		6 (6)	1 (2)	385,000
Anders Hallberg[3)]	2012	1945	No[6)]	17 (17)			2 (2)	330,000
Johan Harmenberg[2)]	2015	1954	Yes	7 (7)				–
Bengt Julander[4)]	2017	1953	Yes	10 (10)			2 (2)	320,000
Helena Levander	2015	1957	Yes	17 (17)	5(5)	6 (6)		370,000
Anna Malm Bernsten, Chairman	2006	1961	Yes	17 (17)	1(1)	6 (6)	2 (2)	785,000
Bengt Westermark[4)]	2017	1945	Yes	10 (10)			2 (2)	320,000
Members elected by the local trade union organizations								
Oscar Belda[5)]	2017	1976		7 (10)				
Björn Klasson[5)]	2017	1952		7 (10)				
Stina Lundgren	2013	1979		14 (17)				
Mikaela Rapp[5)]	2017	1974		7 (10)				

1) The table refers to fees paid to the Board of Directors during the period from May 2017 – April 2018. 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 2017 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. See Note 4 on pages 61-62 for actual amounts disbursed.

2) Resigned at the 2017 AGM.
3) Royalties in accordance with pre-existing agreements have, in addition to Directors' fees, been paid to Uppsala Hallbechem AB in the sum of SEK 215 k (SEK 512 k) for 2017.
4) Appointed at the 2017 AGM.
5) Appointed in May 2017.
6) Independent in relation to the company's major shareholders, but not independent in relation to the company and the company management.



year by means of an online questionnaire comprising ca. 50 questions in seven areas. The areas receiving the highest rating were reporting and control and the role and competence of the Chairman, whilst scope exists for reviewing the work within the Board's R&D Committee. 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 2017

The Board has held 17 minuted Meetings in 2017. The attendance of the individual Members at these Meetings is shown in the table on page 37. All of the Meetings have followed an approved agenda which, together with the documentation for every item, was supplied to the Members before the relevant Meeting. An ordinary Board Meeting usually lasts for just over 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 review a relevant strategic issue. Reports on the work of the Committees are presented at each Board Meeting by the Chairmen of the respective Committees.

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

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

Board Committees

There are three consultative committees within the Board of Directors: Remuneration Committee, Audit Committee, 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 Committee is to represent the Board 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.

The Committee has held five minuted meetings in 2017. The attendance of individual Members is shown in the table on page 37.

The Committee has also held consultations by telephone and email and has largely focused on:

- Reviews of proposals regarding salaries and remuneration for the CEO and other senior executives.
- Reviews of proposals for a program for short-term performance-related pay.
- Review of the results of existing long-term incentive plans.
- Evaluation of the talent pool, contracts, and remuneration.

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 Committee is to support the Board 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 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 Committee has held six minuted meetings in 2017. The attendance of the respective Members is shown in the table on page 37. 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 AGM, including the Auditor's audit plan.

The R&D Committee

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

Remuneration to senior executives (SEK k) [1–3)]

Function	Year	Fixed salary	Performance-related pay	Benefits	Severance pay	Total	Pension	Total incl. pension
CEO, Christine Lind[1)]	**2017**	**2,120**	**699**	**–**	**–**	**2,819**	**441**	**3,261**
Former CEO, Niklas Prager[2)]	**2017**	**906**	**911**	**93**	**5,499**	**7,410**	**497**	**7,907**
	2016	3,833	1,583	736	–	6,152	846	6,998
Other senior executives[3)]	**2017**	**7,504**	**1,781**	**155**	**1,402**	**10,842**	**1,330**	**12,172**
	2016	7,740	1,689	663	–	10,092	1,576	11,667
Total	**2017**	**10,531**	**3,390**	**248**	**6,902**	**21,071**	**2,269**	**23,340**
	2016	11,572	3,272	1,399	–	16,243	2,422	18,665

1) Christine Lind took up the position as CEO of Medivir on 1 April 2017.
2) Niklas Prager resigned from the position as CEO of Medivir on 31 March 2017.
3) Includes Christine Lind in Q1 2017 and full year 2016. John Öhd joined the management group on 1 June 2017. Christina Herder joined the management group on 14 December 2017.

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 Committee has an advisory role in relation to the company management with regard to specific scientific matters.

The Committee has held two minuted meetings in 2017, a one-day meeting in May and a two-day meeting in November. The attendance of the respective Members is shown in the table on page 37.

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 R&D, the registration and approval of pharmaceuticals, and the requisite expertise in commercial development, accounting, finance and communication. For a presentation of the Group management, see pages 44–45. The role of the Group management is to:

- Set goals, allocate resources, and follow up on the operating units' results.
- Produce information and documentation that enables the Board to take well-founded decisions.
- Implement the strategy adopted by the Board for the entire organization 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 are determined by the AGM. The guidelines for remuneration to senior executives 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 AGM-approved amendments to existing terms. 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 percent 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.

Evaluation of principles for remuneration to senior executives

Medivir has complied, in 2017, with the remuneration principles for senior executives approved by the AGM.

Long-term incentive plans

The purpose of long-term incentive plans is to generate the conditions for retaining and recruiting competent personnel 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 previous incentive plan expired in 2016, and the allocation of 38,042 class B shares to employees who had invested in the plan took place in January 2017. A new warrant program was approved by the 2017 AGM and the company issued 48,515 share warrants during the second quarter. The share warrants were issued at a market value of SEK 9.41 per warrant and a redemption price of SEK 89.36 per share. A further 9,320 share warrants were issued during the fourth quarter. The share warrants were issued at a market value of SEK 3.98 per warrant and a redemption price of SEK 89.36 per share. The 57,835 share warrants, in total, may be exercised to subscribe for new class B shares during the period from 16 Dec. 2020 to 15 Jan. 2021 (both dates incl.).

Election of Auditors

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

Öhrlings PricewaterhouseCoopers AB (PwC) was appointed as the company's external auditors for a one-year period up to and including the 2018 AGM. Authorized Public Accountant, Tobias Stråhle, 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 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 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 AGM. Auditors' fees in 2017 and 2016 are shown in the table to the left.

Audit costs and audit consulting (SEK k)

	THE GROUP	
	2017	**2016**
PwC		
Audit engagement	833	1,066
Auditing activities over and above audit engagement	198	480
Tax advice	250	282
Valuation services	–	–
Other services	52	284
Total, PwC	**1,333**	**2,112**
Other auditors		
Audit engagement	–	13
Total, other auditors	**–**	**13**
Total	**1,333**	**2,125**

The 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 labor 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 organization 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
- The Quality Manual
- The Finance Policy
- The Information policy
- The IT policy
- The Accounting and HR manuals
- The Code of Conduct
- The 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 63–65.

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. 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 Auditor-in-Charge also attend at least 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

Anna Malm Bernsten

Born: 1961. Chairman of the Board. Member of the Board since 2006. Chairman of the Remuneration Committee. Member of the Audit Committee and the R&D 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 Board of Björn Axén, Member of the Boards of Cellavision, Pågen-gruppen and Probi.

Shares in Medivir: 3,724 class B shares.

Anders Ekblom

Born: 1954. 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 (specializing in anesthesia 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, Sweden-Bio, AnaMar AB, Infant Bacterial Therapeutics AB, Mereo Biopharma Ltd, Alligator Biosciences, and a senior advisor to Phase4 Partners, UK.

Shares in Medivir: 1,345 class B shares.

Anders Hallberg

Born: 1945. 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, and is 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.

Shares in Medivir: 2,500 class B shares.

Bengt Julander

Born: 1953. Member of the Board since 2017. Member of the R&D Committee.

Education: M. Sc. Pharmacy. Has worked in the pharmaceutical industry since 1978.

Background: CEO of Linc AB, which invests in life sciences. Since 1990, primarily active as an investor in and a Member of the Boards of pharmaceutical development companies. Experience of developing and commercializing products.

Other directorships: Member of the Boards of Linc AB, Livland Skog AB, Calliditas Therapeutics AB, Proequo AB, Sedana Medical AB, Stille AB and Swevet AB, and a number of smaller companies.

Shares in Medivir: 958,283 class B shares (through company).

Helena Levander

Born: 1957. Member of the Board since 2015. Member of the Remuneration Committee and Chairman of 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. Previously 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, Recipharm AB, and Stendörren Fastigheter AB.

Shares in Medivir: 5,250 class B shares.

Bengt Westermark

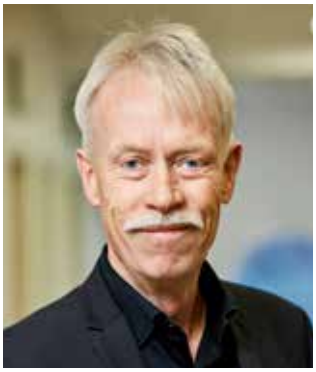
Born: 1945. Member of the Board since 2017. Member of the R&D Committee.

Education: Professor of Tumor Biology at Uppsala University, the Faculty of Medicine, since 1986.

Background: Dean of the Faculty of Medicine at Uppsala University, 1996–2002, and Vice-Rector of Medicine and Pharmacy, 1999–2002. Chairman of the research board of the Swedish Cancer Society, 2003–2013. He has published over 300 papers in scientific journals, primarily on the mechanisms governing the uncontrolled growth of cancer cells. Member of the Royal Swedish Academy of Sciences, the European Molecular Biology Organization, and the European Academy of Cancer Sciences. He has received a number of prizes and awards for his research and has been cited over 25,000 times by other researchers.

Other directorships: Member of the Board of Hamlet Pharma AB and several advisory groups for medical research financing.

Shares in Medivir: 4,000 class B shares.



Björn Klasson

Born: 1952. Member of the Board. Employee representative, appointed by The Swedish Association of Graduate Engineers, since 2017.

Employed: 1991.

Title: Distinguished Scientist, Medicinal Chemistry Department.

Background: Assoc. Professor at the Dept. of Organic Chemistry, University of Stockholm.

Shares in Medivir: 17,417 class B shares.

Stina Lundgren

Born: 1979. Member of the Board. Employee representative, appointed by the Unionen trade union, since 2013.

Employed: 2008.

Title: Associate Principal Scientist, Medicinal Chemistry Department.

Background: Ph.D. in Chemistry from KTH Royal Institute of Technology.

Shares in Medivir: 1,338 class B shares.

Refers to the shareholding on 9 March 2018. See website for current holdings.

Management

Richard Bethell

Born: 1963.

Title: Chief Scientific Officer.

Education: Doctor of Philosophy (D. Phil.) in Chemistry from Oxford University. M.A. in Natural Sciences from Cambridge 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: 8,887 class B shares.

Warrants in Medivir: 4,100.

Erik Björk

Born: 1976.

Title: Chief Financial Officer.

Education: MSc in Finance from Lund University, LLM from Lund University.

Background: Former CFO for Astra Zeneca Sweden Operations. Before that 11 years with Procter & Gamble, in global finance leadership positions in Switzerland, UK and Sweden. Founded and ran a management consultancy focusing on financial strategy and performance with clients within Life Sciences.

Shares in Medivir: 5,400 class B shares.

Warrants in Medivir: 6,150.

Daniel Eriksson

Born: 1975.

Title: Chief Information Officer.

Education: PhD from Coventry University, BSc in Systems Science from Linkoping University.

Employed: 2016.

Background: Former Technical Director for G4S Risk Management, India Country Manager for Hill & Associates, e-Governance advisor for Iraqi authorities, CIO for the UN OPS Kosovo mission, as well as a series of positions with the UN and international organizations in roles relating to IT, security, decision support systems, innovation, and digitalization.

Shares in Medivir: 0.

Warrants in Medivir: 4,100.

Christina Herder

Born: 1961.

Title: Executive Vice President Strategic Business Development.

Education: Ph. D. in Physical Chemistry from Royal Institute of Technology and Executive MBA from Stockholm University.

Background: Former CEO of Modus Therapeutics. Prior to that, Director, Corporate Development at Sobi. Responsible for building and leading the Project & Portfolio Management function at Biovitrum. Also Member of the Boards of PCI Biotech and Idogen.

Shares in Medivir: 5,000 class B shares.

Warrants in Medivir: 1,230.

Åsa Holmgren

Born: 1965.

Title: Executive Vice President Strategic Regulatory Affairs and Market Access.

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. Has also worked for AstraZeneca in Canada and Japan.

Shares in Medivir: 0.

Warrants in Medivir: 2,000.

Christine Lind

Born: 1974.

Title: President and CEO.

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

Employed: 2015 as EVP Strategic Business Development.

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: 37,066 class B shares.

Warrants in Medivir: 20,500.

John Öhd

Born: 1971.

Title: Chief Medical Officer

Education: MD from Linköping University, and PhD in Experimental Pathology from Lund University.

Employed: 2014.

Background: Previously Medivir's Director of Clinical R&D. Prior to joining Medivir he held a position as Senior Director of Experimental Medicine at Shire. Previously several positions at AstraZeneca in Södertälje, Sweden, including Group Director for cognitive and neurodegenerative disorders. He worked in cancer research initially at Lund University where he received a PhD in Experimental Pathology and subsequently at Karolinska Institute.

Shares in Medivir: 0.

Warrants in Medivir: 2,000.

Refers to the shareholding on 9 March 2018. See website for current holdings.

Income Statement

Summary of the Group's Income Statement, SEK k	NOTE	THE GROUP 2017	THE GROUP 2016	PARENT COMPANY 2017	PARENT COMPANY 2016
Continuing operations					
Net turnover	1, 2	36,639	93,043	38,480	130,954
Other operating income		9,878	12,702	1,225	4,490
Total income		**46,517**	**105,745**	**39,706**	**135,445**
Merchandise		–1,674	–3,146	–1,674	–3,146
Other external expenses	3, 5	–281,112	–237,699	–273,677	–255,858
Personnel costs	4	–104,898	–162,651	–104,898	–173,051
Depreciation and write-downs	12, 13	–20,255	–11,757	–20,255	–11,757
Other operating expenses		–1,412	–2,872	–1,412	–2,893
Operating profit/loss		**–362,835**	**–312,380**	**–362,211**	**–311,259**
Profit/loss from participations in Group companies	6	–	1,429	–1932	675,452
Interest income and similar profit/loss items	8	7,339	9,244	7,662	9,607
Interest expenses and similar profit/loss items	9	–4,233	–5,018	–4,233	–5,639
Profit/loss after financial items		**–359,729**	**–306,725**	**–360,714**	**368,161**
Appropriations		–	–	–	37,921
Tax	10	–490	11,870	–628	218
Net profit/loss for the year from continuing operations		**–360,218**	**–294,855**	**–361,342**	**406,300**
Net profit/loss for the year from discontinued operations	25	–	577,709	–	–
Net profit/loss for the year		**–360,218**	**282,853**	**–361,342**	**406,300**
Net profit/loss for the year attributable to:					
Parent Company shareholders		–360,218	282,853	–361 342	–406 300
Earnings per share, calculated from the profit/loss attributable to: Parent Company shareholders during the year					
Earnings per share (SEK per share)	11				
Continuing operations, basic earnings		–16.40	–10.94		
Continuing operations, diluted earnings		–16.40	–10.94		
Discontinued operations, basic earnings		–	21.44		
Discontinued operations, diluted earnings		–	21.39		
Total operations, basic earnings		–16.40	10.50		
Total operations, diluted earnings		–16.40	10.47		
Average number of shares, '000		21,963	26,941		
Average number of shares after dilution, '000		22,021	27,004		
Number of shares at the year-end, '000		20,308	26,917		

– = not applicable

Statement of Comprehensive Income

	THE GROUP		PARENT COMPANY	
Consolidated Statement of Comprehensive Income, SEK k	**2017**	**2016**	**2017**	**2016**
Net profit/loss for the year	**–360,218**	**282,854**	**–361,342**	**406,300**
Other comprehensive income				
Items that may be reclassified in the Income Statement				
Translation differences	41	–1,291	–	–
Total other comprehensive income	**41**	**–1,291**	**–**	**–**
Total comprehensive income for the year	**–360,177**	**281,563**	**–361,342**	**406,300**
Total comprehensive income attributable to:				
Continuing operations	–360,177	–296,146	–	–
Discontinued operations	–	577,709	–	–
Total net profit/loss	**–360,177**	**281,563**	**–361,342**	**406,300**

– = not applicable

Balance Sheets

		THE GROUP		PARENT COMPANY	
SEK k	NOTE	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
ASSETS					
Fixed assets					
Intangible fixed assets					
Capitalized expenditure for research and development work		97,207	104,522	97,207	104,522
Product rights		–	2,754	–	2,754
Other intangible assets		15,534	4,578	15,534	4,578
Total intangible fixed assets	12	**112,742**	**111,854**	**112,742**	**111,854**
Tangible fixed assets					
Buildings and land		471	653	471	653
Equipment, tools, fixtures and fittings		13,966	21,303	13,966	21,303
Total tangible fixed assets	13	**14,436**	**21,956**	**14,436**	**21,956**
Financial fixed assets					
Participations in Group companies	14	–	–	100	100
Financial assets held for sale	7, 15	–	–	–	–
Deferred tax receivable	10	–	1,002	–	–
Total financial fixed assets		**–**	**1,002**	**100**	**100**
Total fixed assets		**127,178**	**134,812**	**127,278**	**133,910**
Current assets					
Inventories	16	**–**	**432**	**–**	**432**
Current receivables					
Accounts receivable	7	536	12,808	536	12,508
Receivables from Group companies	2	–	–	24,416	22,240
Tax receivables		6,481	22,341	6,476	22,336
Other receivables		2,057	12,245	2,057	12,245
Prepaid expenses and accrued income	17	12,139	40,383	10,297	38,488
Total current receivables		**21,213**	**87,778**	**43,782**	**107,817**
Short-term investments					
Other short-term investments	7, 18	409,215	1,504,645	409,215	1,504,645
Cash and bank balances	7, 18	58,565	193,836	49,448	187,883
Total short-term investments		**467,780**	**1,698,481**	**458,663**	**1,692,528**
Total current assets		**488,992**	**1,786,691**	**502,445**	**1,800,777**
TOTAL ASSETS		**616,171**	**1,921,503**	**629,723**	**1,934,687**

– = not applicable

Balance Sheets

		THE GROUP		PARENT COMPANY	
SEK k	NOTE	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
EQUITY AND LIABILITIES					
Equity, the Medivir Group					
Share capital		157,693	157,159	–	–
Other capital contributed		295,933	1,153,475	–	–
Exchange rate difference		–3,062	–3,103	–	–
Accumulated profit/loss		63,494	425,381	–	–
Total equity, the Medivir Group		**514,057**	**1,732,912**	**–**	**–**
Equity, Medivir AB					
Restricted equity					
Share capital		–	–	157,693	157,159
Statutory reserve		–	–	–	–
Total restricted equity		**–**	**–**	**157,693**	**157,159**
Non-restricted equity					
Share premium reserve		–	–	476,767	1,334,771
Accumulated profit/loss		–	–	237,806	–168,494
Net profit/loss for the year		–	–	–363,011	406,300
Total non-restricted equity	27	**–**	**–**	**351,562**	**1,572,577**
Total equity, Medivir AB		**–**	**–**	**509,255**	**1,729,736**
Untaxed reserves		**–**	**–**	**–**	**–**
Provisions					
Deferred tax liability	10	–	–	–	–
Other provisions	19	–	–	7,057	30,349
Total provisions		–	–	**7,057**	**30,349**
Long-term liabilities					
Deferred tax liability	10	–	–	–	–
Total long-term liabilities		**–**	**–**	**–**	**–**
Current liabilities					
Accounts payable	7	33,740	56,813	33,735	56,813
Liabilities to Group companies	2	–	–	22,806	21,000
Provisions	19	7,057	30,349	–	–
Other liabilities		5,467	21,147	5,394	21,067
Accrued expenses and deferred income	20	55,849	80,282	51,477	75,722
Total current liabilities		**102,113**	**188,591**	**113,411**	**174,602**
Total equity and liabilities		**616,171**	**1,921,503**	**629,723**	**1,934,687**

Pledged assets are reported in Note 21 and Undertakings and Contingent Liabilities in Note 22.

Changes in equity

The Group, SEK k	Share capital	Other capital contributed	Translation reserve	Accumulated profit/loss	Total equity	Number of shares
Opening balance, 1 January 2016	**157,159**	**1,152,236**	**–1,813**	**142,528**	**1,450,110**	**26,966,037[1)]**
Net profit/loss for the year	–	–	–	282,854	282,853	–
Exchange rate differences	–	–	–1,291	–	–1,291	–
Total comprehensive income for the period	**–**	**–**	**–1,291**	**282,854**	**281,563**	**–**
Employee stock option program: value of employees' service	–	1,240	–	–	1,240	–
Closing balance, 31 December 2016	**157,159**	**1,153,475**	**–3,103**	**425,381**	**1,732,912**	**26,966,037[2)]**
Opening balance, 1 January 2017	**157,159**	**1,153,475**	**–3,103**	**425,381**	**1,732,912**	**26,966,037[3)]**
Net profit/loss for the year	–	–	–	–360,218	–360,218	–
Exchange rate differences	–	–	41	–	41	–
Total comprehensive income for the period	**–**	**–**	**41**	**–360,218**	**–360,177**	**–**
Redemption plan	–38,739	–818,732	–	–	–857,471	–6,647,060
Warrants to subscribe	–	463	–	–	463	–
Transaction costs	–	–	–	–1,669	–1,669	–
Bonus issue	39,273	–39,273	–	–	–	–
Employee stock option program: value of employees' service	–	–	–	–	–	–
Closing balance, 31 December 2017	**157,693**	**295,933**	**–3,062**	**63,494**	**514,057**	**20,318,977[4)]**

1) Opening number of shares in 2016: 606,358 class A shares and 26,359,679 class B shares, nominal value: SEK 6 (of which 130,000 class B shares held by the company).
2) Closing number of shares in 2016: 606,358 class A shares and 26,359,679 class B shares, nominal value: SEK 6 (of which 49,455 class B shares held by the company).
3) Opening number of shares in 2017: 606,358 class A shares and 26,359,679 class B shares, nominal value: SEK 6 (of which 49,455 class B shares held by the company).
4) Closing number of shares in 2017: 474,769 class A shares and 19,844,208 class B shares, nominal value: SEK 8 (of which 11,413 class B shares held by the company).

Parent Company, SEK k	Share capital	Statutory reserve	Share premium reserve	Accumulated loss	Net profit/loss for the year	Total equity	Number of shares
Opening balance, 1 January 2016	**157,159**	**–**	**1,333,532**	**–171,898**	**3,404**	**1,322,197**	**26,966,037[1)]**
Appropriation of profits:							
Profit/loss for the previous year brought forward	–	–	–	3,404	–3,404	–	–
Net profit/loss for the year	–	–	–	–	406,300	406,300	–
Employee stock option program: value of employees' service	–	–	1,240	–	–	1,240	–
Closing balance, 31 December 2016	**157,159**	**–**	**1,334,772**	**–168,494**	**406,300**	**1,729,736**	**26,966,037[2)]**
Opening balance, 1 January 2017	**157,159**	**–**	**1,334,772**	**–168,494**	**406,300**	**1,729,736**	**26,966,037[3)]**
Appropriation of profits:							
Profit/loss for the previous year brought forward	–	–	–	406,300	–406,300	–	–
Net profit/loss for the year	–	–	–	–	–361,342	–361,342	–
Redemption plan	–38,739	–	–818,732	–	–	–857,471	–6,647,060
Transaction costs	–	–	–	–	–1,669	–1,669	–
Bonus issue	39,273	–	–39,273	–	–	–	–
Closing balance, 31 December 2017	**157,693**	**–**	**476,767**	**237,806**	**–363,011**	**509,255**	**20,318,977[4)]**

1) Opening number of shares in 2016: 606,358 class A shares and 26,359,679 class B shares, nominal value: SEK 6 (of which 130,000 class B shares held by the company).
2) Closing number of shares in 2016: 606,358 class A shares and 26,359,679 class B shares, nominal value: SEK 6 (of which 49,455 class B shares held by the company).
3) Opening number of shares in 2017: 606,358 class A shares and 26,359,679 class B shares, nominal value: SEK 6 (of which 49,455 class B shares held by the company).
4) Closing number of shares in 2017: 474,769 class A shares and 19,844,208 class B shares, nominal value: SEK 8 (of which 11,413 class B shares held by the company).

Statements of cash flow

		THE GROUP		PARENT COMPANY	
Total operations, SEK k	**NOTE**	**2017**	**2016**	**2017**	**2016**
Operating activities					
Profit/loss after financial items		–359,729	283,214	–360,714	368,161
Adjustment for non-cash items	23	6,684	–463,968	8,609	–255,540
		–353,045	**–180,754**	**–352,105**	**112,621**
Tax paid		6,166	–8,920	5,025	–12,310
Cash flow from operating activities before changes in working capital		**–346,880**	**–189,674**	**–347,080**	**100,311**
Cash flow from changes in working capital					
Increase (–)/decrease (+) in inventories		432	–6,038	432	1,875
Increase (–)/decrease (+) in current receivables		40,896	–19,993	38,386	1,390
Increase (+)/decrease (–) in current liabilities		–52,928	33,421	–52,917	–156,349
Cash flow from operating activities	23, 25	**–358,480**	**–182,284**	**–361,178**	**–52,774**
Investing activities					
Divestment of subsidiaries	25	–	908,343	–	909,108
Acquisition of intangible fixed assets		–12,938	–96,220	–12,938	–96,220
Acquisition of tangible fixed assets		–610	–10,101	–610	–10,101
Sale of tangible fixed assets		–	1,174	–	1,174
Divestment of/reduction in financial assets		–	–	–	–
Cash flow from investing activities	23, 25	**–13,548**	**803,197**	**–13,548**	**803,961**
Financing activities					
Amortization of loan liabilities		–	–	–	–
Redemption plan		–857,471	–	–857,471	–
Warrants issue		494	–	–	–
Transaction costs in conjunction with redemption plan		–1,669	–	–1,669	–
Cash flow from financing activities	23, 25	**–858,646**	**–**	**–859,140**	**–**
Cash flow for the year		**–1,230,674**	**620,913**	**–1,233,866**	**751,187**
Cash and cash equivalents at the beginning of the year		1,698,481	1,077,942	1,692,528	941,341
Exchange rate differences, cash and cash equivalents		–27	–374	–	–
Cash and cash equivalents at the end of the year	18	**467,780**	**1,698,481**	**458,663**	**1,692,528**

– = 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 utilizes 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 2017, 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.

Future changes to presentation principles for the Income Statement

Medivir has, since 1 January 2017, presented its Income Statement in accordance with the classification by cost type principle. An account of this change in principle was provided in the first Interim Report of 2017. The change only entails a revision of the structure of the Income Statement. The net profit presented for the periods is not affected. The Other comprehensive income specification is not affected by this change in principle.

New and revised standards applied by the Group from 1 January 2017

None of the new or revised standards that have come into force and which apply to the 2017 financial year have had any impact on Medivir's consolidated accounts.

New and revised standards applied by the Group from 1 January 2018

IFRS 15 Revenue from Contracts with Customers, replaces all previously issued standards and interpretations concerning revenues in a unified revenue recognition model. The company has applied the new standard, as of 1 January 2018, and has evaluated IFRS 15 and its effects on the consolidated accounts. The evaluation has shown that no change is expected, other than in the form of additional disclosure requirements.

IFRS 9 Financial Instruments, addresses the recognition of financial assets and liabilities and replaces IAS 39 Financial Instruments: Recognition and Measurement. The Group has applied the new standard, as of 1 January 2018, and has evaluated IFRS 9 and its effects on the consolidated accounts. The evaluation has shown that IFRS 9 will have no effect on the company's profit/loss and financial position. Additionally, no changes to the Note on financial instruments are expected.

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 amortized 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.

The company has evaluated the way in which IFRS 9 has been affected by the new standard. The evaluation indicates that the introduction of IFRS 9 will not affect Medivir's reporting in that the company's financial assets only comprise cash and cash balances and low-risk fixed income funds, in accordance with the company's current financial policy. The company holds no instruments of the type primarily affected by the introduction of IFRS 9.

IFRS 15 Revenue from Contracts with Customers regulates the way in which income is recognized. 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 recognized 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 came into force on 1 January 2018.

The company has analyzed how the introduction of IFRS 15 has affected revenue recognition as a result of the new standard and has concluded that the introduction of IFRS 15 has not, to date, affected recognition. In 2018, the company will receive royalty income, and potentially non-recurring income and milestone payments that are addressed in this standard. The primary principle of

IFRS 15 states that variable remuneration shall be estimated and included in the transaction price if there is every likelihood that a not insignificant percentage will be reversed. Exemptions do, however, apply to royalty revenues where the license is distinct, where performance undertakings with regard to sales and usage-based royalties have been allocated. We have taken this into account and recognized royalty revenues over time.

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

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 submitted 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 recognized 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 recognized 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 utilized 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 are reported under operating income and losses under 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
As of 2017, Medivir applies a classification by type of cost 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 Goods for resale, Other external costs, Personnel costs, Depreciation and write-downs, and Other operating expenses:

Goods for resale
Costs of goods for resale comprises costs relating to the now discontinued pharmaceutical sales operations.

Other external costs
Other external costs relate to services bought by Medivir. These mainly comprise clinical phase projects conducted through contracted research organizations.

Personnel costs
Personnel costs comprise costs for employed personnel.

Depreciation and write-downs
Depreciation and write-downs comprise depreciation according to plan for the year, but also non-recurrent depreciation and write-downs, when relevant.

Discontinued operations
The Income Statement includes a separate presentation of the profit/loss from discontinued operations. A discontinued operation is that part of the Medivir Group 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 with comparative figures. The subsidiary items included in the profit/loss from discontinued operations, together with disclosures in relation to the operation discontinued, are presented as supplementary disclosures in the Notes.

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

Financial instruments, reporting, disclosure and classification
For information on financial risks and investments, see Note 7, Financial Risks, on pages 63–65.

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 amortized 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 derecognized 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 amortized 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.

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

Research & Development costs – in-house development
Pharmaceutical development expenses are capitalized 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 59 (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. Amortization is conducted linearly in order to distribute the development costs on the basis of the estimated useful life. Amortization begins when the pharmaceutical begins to generate income. Useful life is based on the underlying patent term.

The amortization term for capitalized 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 amortization period under normal circumstances. The longer amortization 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 59, other research work performed by Medivir is judged to be associated with such uncertainty that IAS 38's capitalization criteria cannot be considered satisfied, primarily because of the difficulties in judging whether it is technically possible to complete the pharmaceutical.

Development projects acquired
Amortization of intangible assets acquired, e.g. customer relationships or trademarks and brands, is effected linearly over the useful life. Amortization 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 amortized over the estimated useful life. The useful life is estimated at 5 years, whereupon the reported asset will be amortized 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
Tangible and intangible fixed assets are subject to impairment testing and impairment losses are recognized 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 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 amortized, but are subject to annual impairment testing. If the recoverable amount is less than the carrying amount, an impairment loss is recognized. 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 realizable 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 realizable 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 recognized. Losses on goods in inventory are recognized 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 under Accumulated profit/loss.

Net Debt
Medivir has positive net debt, as reported in Note 24. The company's cash and cash equivalents comprise bank balances. The short-term investments comprise the company's fund portfolio. The liabilities comprise account payables and staff-related liabilities.

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

Sales of pharmaceuticals
To recognize 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 recognized 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 recognized 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 recognized 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 license 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 license 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 recognized 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 recognized 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 license that entitles the counterparty to utilize Medivir's intangible asset. Royalties are recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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, who assesses the operating segment's results on the basis of the operating profit/loss metric presented in the Income Statement. Medivir has only one operating segment, namely pharmaceuticals. This segment comprises the Group's research portfolio and the in-house developed pharmaceutical products, simeprevir and Xerclear.

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. Leas-

ing charges paid are allocated between amortization 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.

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 2017, Alecta's surplus in the form of the collective consolidation ratio was preliminarily calculated by Alecta at 154 percent (149%). 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. The anticipated pension costs for 2018 are estimated at SEK 11,466 thousand.

Severance pay

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

Rights agreements

The Medivir Group has entered into various forms of agreement, both with parties external to the Group and with related parties, with regard to various rights linked to pharmaceutical development and finished pharmaceutical products (see above under the Intangible fixed assets section for the various kinds of rights acquired). Medivir may, depending on the nature and content of the agreement, have an existing or potential future undertaking to transfer resources to a party as remuneration for the rights and the use thereof. Medivir may consequently have rights in the Balance Sheet that may generate future revenues in the form of pharmaceutical sales or partnership agreements (see above under Revenues) but which may also result in another party receiving payments based on this return. This may result in Medivir reporting liabilities and provisions in the Balance Sheet with related costs in the Income Statement and/or disclosing contingent liabilities in the Notes. Different types of remuneration circumstances are presented below.

Royalty costs and provisions from in-licensed rights

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 in these agreements are based on the revenues that Medivir receives from any milestone payments or sales of finished pharmaceutical products.

Royalty provisions are recognized when it is probable that payments will be made to the counterparty from whom the right was acquired and when the amount can be reliably estimated. These two preconditions for recognition as provisions are often not fulfilled until Medivir receives feedback and confirmation from the other parties that sales of the pharmaceutical product have occurred or on the successful completion of a pharmaceutical trial as part of a partnership agreement that generates a milestone payment to Medivir. The payments made to the rights holders may be made either to parties external to the Group or to related parties. Payments made to related parties are also reported as a supplementary disclosure (Note).

Contingent liabilities

Payments may have to be disbursed in future for a number of in-licensed rights on the basis of future events, such as a successful clinical phase pharmaceutical trial or future product sales. When the criteria for provision recognition (probable and reliable estimation of amounts) have not been met, but the possibility exists that future payments may have to be disbursed by Medivir for the usufruct, this fact is recognized as a Contingent liability in the Notes, together with estimations of the possible outcome.

Contingent assets

Other parties have acquired the usufruct for a number of the rights at Medivir's disposal (often as a result of Medivir having entered into so-called Out-licensing and collaboration agreements – see above under Revenues), and which may generate revenues for the Group in the future. These revenues are, however, contingent upon uncertain future events that are, to some extent, beyond the company's control. Such contingent assets are not reported as disclosures in the Notes until they become probable. When the reliable estimation of probable amounts is also possible, the assessments are transferred to those described in the Revenues section above, and receipt of the asset by Medivir is now consequently deemed to be virtually assured.

Income tax

The tax expense for the period consists of current tax and deferred tax. Tax is recognized in the Income Statement apart from when tax relates to items recognized in other comprehensive income or directly in equity. In such cases, tax is also recognized 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 recognized 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 recognized to the extent it is likely that future taxable profits will be available.

Note 10 lists, amongst other things, 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 10 on pages 66–67. The various components of consolidated total tax are also explained in this Note.

Statements 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 recognized 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 utilization 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 capitalized 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 capitalization 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 capitalization cannot be considered to be satisfied. Where this is the case, capitalization does not occur until the pharmaceutical is approved by the relevant regulatory authority.

Premature capitalization 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 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 12, on pages 68–69, 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 utilization 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 10, on pages 66–67.

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

01 Segment reporting

Medivir has only one segment, namely pharmaceuticals. This segment comprises the Group's research portfolio and the in-house developed pharmaceutical products, simeprevir and Xerclear.

The company monitors the operations through the operating profit/loss, which is presented in the Income Statement.

	THE GROUP		PARENT COMPANY	
SEK k	**2017**	**2016**	**2017**	**2016**
Breakdown of net sales				
Out-licensing and collaboration agreements				
Non-recurrent payments	660	16,744	660	16,744
Research collaborations	–	–	–	–
Pharmaceutical sales	2,487	197,176	2,487	12,264
Royalties	32,744	64,036	32,744	64,036
Other services	748	–	2,590	37,911
Total	**36,639**	**277,955**	**38,480**	**130,954**
Geographic breakdown of net sales				
Sweden	3,241	162,143	3,241	6,779
Nordic region, other	1,303	35,032	1,303	5,485
Europe, other	15,703	10,288	15,703	10,288
USA	9,981	70,491	9,981	70,491
Rest of the world	6,411	–	6,411	–
Total	**36,639**	**277,955**	**36,639**	**93,043**
External customers who account for more than 10% of net sales (SEK k)				
Customer 1	–	155,364	28,250	60,254
Customer 2	28,250	60,254	–	10,288
Customer 3	4,494	–	4,494	10,237

The Parent Company's sales to Group companies totaled SEK 1,841 thousand (SEK 37,911 k). Purchases from Group companies totaled SEK 0 thousand (SEK 0 k). The Other services item refers to management fees invoiced to subsidiary companies by the Parent Company and to SEK 748 thousand in settlement of a revenue reserve from 2016.

In the breakdown of net sales, the Group's total figure for 2016 of SEK 277,955 thousand includes SEK 184,912 thousand derived from the sale of the BioPhausia company, so the total, excluding the sale of BioPhausia, is SEK 93,043 thousand.

BioPhausia affects the Swedish and Nordic region, other sales components of the geographical breakdown of the net sales to the tune of SEK 155,364 thousand and SEK 29,547 thousand, respectively.

BioPhausia affects "Customer 1" in the External customers who account for more than 10 percent of net sales component of net sales to the tune of SEK 145,076 thousand through their purchases.

02 Intra-Group transactions

The Parent Company
Intra-Group sales totaled SEK 1,841 thousand (SEK 37,911 k). Intra-Group purchases totaled SEK 0 thousand (SEK 0 k). A receivable between Medivir AB and Tetrologic Shape UK Ltd and Tetralogic Birinapant UK Ltd totaling SEK 1,932 thousand, and a liability totaling SEK 1,952 thousand, at the year-end. These sums will be settled, net, during the first quarter of 2018.

03 Audit costs and audit consulting

Remuneration paid to the statutory audit firm and its network by the Medivir Group in 2017 totaled SEK 1,333 (SEK 2,125 k) thousand, of which SEK 1,333 (SEK 2,112 k) thousand was paid to the statutory audit firm, Öhrlings PricewaterhouseCoopers AB, which sum can be broken down into the following categories:

The Group
Audit engagements for Medivir by the audit firm and its network totaled SEK 833 (SEK 1,079 k) thousand in 2017, SEK 833 (SEK 1,066 k) thousand of which was paid to the audit firm.

Other statutory engagements on behalf of Medivir by the statutory audit firm and its network in 2017 cost a total of SEK 198 (SEK 480 k) thousand, SEK 198 (SEK 480 k) thousand of which was paid to the audit firm.

Tax advice provided for Medivir by the audit firm and its network in 2017 cost SEK 250 (SEK 282 k) thousand, SEK 250 (SEK 282 k) thousand of which was paid to the audit firm.

Valuation services for Medivir provided by the audit firm and its network in 2017 cost SEK 0 (SEK 0 k) thousand, SEK 0 (SEK 0 k) thousand of which was paid to the audit firm.

Other services provided for Medivir by the audit firm and its network in 2017 have cost SEK 52 (SEK 284 k) thousand, SEK 52 (SEK 284 k) thousand of which was paid to the audit firm.

The Parent Company
Audit engagements for Medivir by the audit firm and its network totaled SEK 846 (SEK 806 k) thousand in 2017, SEK 846 (SEK 806 k) thousand of which was paid to the audit firm.

Other statutory engagements on behalf of Medivir by the audit firm and its network in 2017 cost a total of SEK 178 (SEK 480 k) thousand, of which SEK 178 (SEK 480 k) thousand was paid to the audit company.

Tax advice provided for Medivir by the audit company and its network in 2017 cost SEK 250 (SEK 282 k) thousand, of which SEK 250 (SEK 282 k) thousand was paid to the audit firm.

Valuation services for Medivir provided by the audit firm and its network in 2017 cost SEK 0 (SEK 0 k) thousand, of which SEK 0 (SEK 0 k) thousand was paid to the audit firm.

Other services provided for Medivir by the audit firm and its network in 2017 have cost SEK 52 (SEK 247 k) thousand, of which SEK 52 (SEK 247 k) thousand was paid to the audit firm.

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

	THE GROUP			
	2017		2016	
Average number of employees	**Women**	**Men**	**Women**	**Men**
Sweden	51	45	60	51
UK	–	1	1	1
Denmark	1	–	1	1
Norway	–	–	1	2
Finland	–	–	–	–
Total	**52**	**46**	**63**	**55**

	THE GROUP	
Salaries, remuneration, social security contributions, and pension costs, SEK k[1–7)]	**2017**	**2016**
Salaries and remuneration		
Niklas Prager (CEO until 31 March 2017)[2)]	7,410	6,151
Christine Lind (CEO from 1 April 2017)	2,819	–
Anna Malm Bernsten (Chairman of the Board from 3 May 2016)[3)]	882	840
Anders Ekblom (Member of the Board from 8 May 2014)	385	385
Anders Hallberg (Member of the Board)	330	330
Bertil Samuelsson (Member of the Board from 8 May 2014 until 3 May 2016)	–	160
Birgitta Stymne Göransson (Member of the Board from 6 May 2013, Chairman of the Board 8 May 2014 – 3 May 2016)	–	360
Helena Levander (Member of the Board from 5 May 2015)	370	363
Bengt Julander (Member of the Board from 3 May 2017)	160	–
Bengt Westermark (Member of the Board from 3 May 2017)	160	–
Johan Harmenberg (Member of the Board from 5 May 2015)	160	320
Thomas Axelsson (Member of the Board from 3 May 2016)	153	153
Total, Board of Directors and CEO[3)]	**12,828**	**9,061**
Other senior executives[4)]	10,842	10,092
Other employees[5–6)]	44,037	102,965
Salaries and remuneration, total	**67,708**	**122,118**
Statutory and contractual social security contributions	**22,845**	**31,344**
Pension costs		
Of which: SEK 938 thousand (SEK 846 k) for the CEO	**12,078**	**17,981**
Total salaries, remuneration, social security contributions, and pension costs	**102,631**	**171,442**

1) The number of employees for the Parent Company, and their salaries, remuneration, social security contributions, and pension costs correspond to those of the Group and this Note consequently only shows the figures for the Group.
2) Remuneration as CEO in Q1 and severance pay in the remaining three quarters.
3) Director's fees and consultancy work carried out on behalf of Medivir.
4) Remuneration totaling SEK 2,208 thousand that was carried as an expense in 2015 was disbursed in 2016 to former employees who were classified as Other senior executives.
5) Remuneration totaling SEK 27,093 thousand (SEK 3,093 k) that was carried as an expense in 2016 was disbursed in 2017 to former Other employees.
6) The total remuneration to Other employees in conjunction with contractual departure from employment during the year and which will be disbursed in 2018, totaled SEK 3,098 thousand in conjunction with the 2017 annual accounts.

The Board of Directors
SEK 2,470 thousand (SEK 2,910 k) was paid in Directors' fees to the Board of Directors of Medivir during the financial year, SEK 753 thousand (SEK 840 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. The Chairman of the Board received remuneration of SEK 129 thousand in addition to the fee, primarily due to consultancy work carried out on behalf of the company. 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 0 thousand (SEK 4 k) to Nxt Science AB (Anders Ekblom) and SEK 215 thousand (SEK 512 k) in royalties to Uppsala Hallbechem AB (Anders Hallberg) and SEK 969 thousand in 2016 to SYBESAM (Bertil Samuelsson), both in accordance with pre-existing contracts. Bertil Samuelsson resigned from the Board of Directors in conjunction with the AGM in May 2016.

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 percent 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 guidelines in their entirety are presented on Medivir´s web site.

Pensions
Pensions shall be premium-based for the CEO and other senior executives, and it can comprise up to 25 percent 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 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 percent 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 percent 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 totaled SEK 3,027 thousand (SEK 3,833 k), while bonuses totaled SEK 1,610 thousand (SEK 1,583 k), and other benefits SEK 93 thousand (SEK 736 k). The pension plan conforms to the individual pension plan of 25 percent of the annual gross salary, excluding bonuses and benefits. Pension provisions during the year totaled SEK 938 thousand (SEK 846 k).

A mutual notice period of six months applies for the CEO. The CEO is entitled to severance pay corresponding to twelve times the value of the fixed monthly salary at the time when notice of termination was given if the notice is given by the company or if the CEO gives notice due to significant breach of contract on the part of the company. Any bonuses are maximized to a value of 50 percent 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. From 1 June 2017, the management group, excluding the CEO, comprised six persons (two women and four men). Salaries totaling SEK 7,504 thousand (SEK 7,740 k) have been paid to other senior executives, together with SEK 1,781 thousand (SEK 1,689 k) in performance-related pay, SEK 625 thousand (SEK 0 k) in severance pay, and SEK 155 thousand (SEK 663 k) in benefits, comprising a total of SEK 1,402 thousand (SEK 10,092 k) in remuneration paid. Pension provisions have been made in the sum of SEK 1,330 thousand (SEK 1,576 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 perfor-

04 cont.

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

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. An account of the share-related incentive plan operated by the company in 2016 is provided below, followed by an account of the stock option-related incentive plan introduced by the company in 2017. Medivir's share-related incentive plan is reported in accordance with "IFRS 2 – Share-based Payment".

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 shares. This plan was wound up in December 2016 and in January 2017, disbursements were made and 38,042 class B shares were allocated to the employees who had invested in the plan. These shares corresponded to approximately 0.14 percent of the total number of shares in the company and 0.12 percent of the number of votes. The cost to the company totaled SEK 4.4 million. The Board approved an accelerated vesting in December 2016 and the remaining elements will therefore, be carried as expenses in their entirety in 2016.

Stock option program 2017 (LTI-2017)
The 2017 Annual General Meeting approved the Board's proposal to introduce a stock option program on condition that the company does not thereby incur any costs. The right to subscribe is vested in all of the company's senior executives and other permanent employees of Medivir. The company issued a total of 102,500 warrants to subscribe, free of charge, to the subsidiary company, Medivir Personal AB, without preferential rights for existing shareholders. The warrants may be exercised to subscribe for new class B shares during the period from 16 December 2020 up to and including 15 January 2021, and the subscription price (strike price) per share shall correspond to 133 percent of the volume weighted average rate of the class B share according to the official NASDAQ Stockholm price list during the period from 4–17 May 2017, namely SEK 89.36/share. The Board of the company may, by means of a Board resolution and with the consent of the Board of Directors of the Subsidiary, cancel the Subsidiary's warrants that are not transferred or which have been repurchased from participants. Cancellation shall be registered with the Swedish Companies Registration Office. In the event of full exercise of the warrants, the company's share capital will increase by a maximum of SEK 795,487. The warrants are not associated with any vesting conditions for the employees.

Medivir AB employees were allocated and subscribed for a combined total of 57,835 warrants sold by Medivir Personal AB on two occasions in 2017. The employees paid the market value of the warrants when subscribing. The market value was determined using the Black & Scholes valuation model, based on term, strike price, weighted share price during the subscription period (VWAP), risk-free interest rate, and volatility. The volatility was determined by means of a comparative study of the historic volatility of Medivir and similar companies, taking into account the relative size and risk of Medivir. A total of 48,515 warrants were allocated during the second quarter at a market value of SEK 9.41 per warrant and with a strike price of SEK 89.36 per share. The valuation calculation was based on the following figures: term, 3.66 years; strike price, SEK 89.36; VWAP, SEK 67.19; risk-free interest rate, –0.35 percent; volatility, 32 percent. A total of 9,320 warrants were allocated during the fourth quarter at a market value of SEK 3.98 per warrant and with a strike price of SEK 89.36 per share.

The market value was determined in accordance with the Black & Scholes valuation method using the following figures: term, 3.09 years; strike price, SEK 89.36; VWAP, SEK 49.58, risk-free interest rate, –0.61 percent; volatility, 37 percent. On 31 December 2017, there were 44,665 warrants remaining in the program.

05 Leasing agreements including property rent

	THE GROUP		PARENT COMPANY	
SEK k	**2017**	**2016**	**2017**	**2016**
Costs for the year[1)]	7,924	30,145	696	21,668
Nominal value of future minimum lease payments for irrevocable leasing agreements including property rent:				
Within one year[2)]	12,160	14,770	5,154	7,396
Between two and five years[3)]	49,675	46,458	21,651	16,963
Over five years[4)]	46,334	29,494	30,570	–
Total	**108,169**	**90,722**	**57,375**	**24,359**

1) Other costs refer primarily to the rental of premises by Medivir UK and Medivir AB. Premises rental costs within the Group total SEK 6,053 thousand (SEK 17,654 k), of which Medivir AB's rental costs total SEK –1,175 thousand (SEK 9,177 k), and Medivir UK's rental costs total SEK 7,228 thousand (SEK 8,477 k) and are reported under other operating expenses. SEK 8,652 thousand (SEK 8,226 k) of the rental costs for the year are recognized as revenue under other operating income, due to the subletting of the research facilities in Chesterford Park. The net profit/loss for the subletting totals SEK 1,424 thousand (SEK –238 k). 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 at 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 7,692 thousand will be recognized as revenue due to the subletting of the research facilities at Chesterford Park.
3) Of which SEK 30,771 thousand will be recognized as revenue due to the subletting of the research facilities at Chesterford Park.
4) Of which SEK 17,309 thousand will be recognized as revenue due to the subletting of the research facilities at Chesterford Park.

06 Profit/loss from participations in Group companies

	THE GROUP		PARENT COMPANY	
SEK k	**2017**	**2016**	**2017**	**2016**
Profit/loss from the sale of BioPhausia AB, included in Discontinued operations, Note 25	–	–	–	304,996
Dividend from BioPhausia AB	–	–	–	370,456
Profit/loss from liquidated subsidiary companies	–	1,429	–	–
Impairment of capital contributions in subsidiaries	–	–	–1,932	–
Total	**–**	**1,429**	**–1,932**	**675,452**

07 Financial risks

The Group is, by virtue of its operations, exposed to 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 minimize 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 linked to the agreement specify how the funds may be invested. In the current capital market, investments of liquid assets shall be made in such a way that the capital invested, first and foremost, is protected, and, if possible, 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, progress and expand its research portfolio, and thereby generate future value through both milestone payments and royalties, Medivir must have a strong capital base.

The consolidated equity totals SEK 514,057 thousand (SEK 1,732,912 k). The cash and cash equivalent position and short-term investments total SEK 467,780 thousand (SEK 1,698,481 k), and the equity/assets ratio is therefore 83.4 percent (90.2%).

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

The Group, 31 Dec. 2017, SEK k	Financial assets recognized 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
Accounts receivable	–	–	536	–	–	536
Other receivables	–	–	–	–	–	–
Other short-term investments	409,215	–	–	–	–	409,215
Cash and bank balances	–	58,565	–	–	–	58,565
Accounts payable	–	–	–	–	33,740	33,740
Total	**409,215**	**58,565**	**536**	**–**	**33,740**	**502,056**

The Group, 31 Dec. 2016, SEK k	Financial assets recognized 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
Accounts receivable	–	–	12,808	–	–	12,808
Other receivables	–	–	2,144	–	–	2,144
Other short-term investments	1,504,645	–	–	–	–	1,504,645
Cash and bank balances	–	193,836	–	–	–	193,836
Accounts payable	–	–	–	–	56,813	56,813
Total	**1,504,645**	**193,836**	**14,952**	**–**	**56,813**	**1,770,246**

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

Parent Company, 31 Dec. 2017, SEK k	Financial assets recognized 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
Accounts receivable	–	–	24,952	–	–	24,952
Other receivables	–	–	–	–	–	–
Other short-term investments	409,215	–	–	–	–	409,215
Cash and bank balances	–	49,448	–	–	–	49,448
Accounts payable	–	–	–	–	56,541	56,541
Total	**409,215**	**49,448**	**24,952**	**–**	**56,541**	**540,156**

07 cont.

Parent Company, 31 Dec. 2016, SEK k	Financial assets recognized 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
Accounts receivable	–	–	34,748	–	–	34,748,
Other receivables	–	–	2,144	–	–	2,144
Other short-term investments	1,504,645	–	–	–	–	1,504,645
Cash and bank balances	–	187,883	–	–	–	187,883
Accounts payable	–	–	–	–	77,813	77,813
Total	**1,504,645**	**187,883**	**36,892**	**–**	**77,813**	**1,807,233**

Financial assets and liabilities recognized 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 recognized 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 flows.

	Carrying amount	Recognition at fair value at the end of the period, based on:		
The Group, 31 Dec. 2017, SEK k		**Level 1**	**Level 2**	**Level 3**
Financial assets recognized at fair value in the Income Statement:				
Short-term investments	409,215	409,215	–	–
Financial assets held for sale:				
Other receivables	–	–	–	–
Total assets	**409,215**	**409,215**	**–**	**–**
Borrowing	–	–	–	–
Total liabilities	**–**	**–**	**–**	**–**

	Carrying amount	Recognition at fair value at the end of the period, based on:		
The Group, 31 Dec. 2016, SEK k		**Level 1**	**Level 2**	**Level 3**
Financial assets recognized at fair value in the Income Statement:				
Short-term investments	1,504,645	1,504,645	–	–
Financial assets held for sale:				
Other receivables	2,144	–	–	2,144
Total assets	**1,506,789**	**1,504,645**	**–**	**2,144**
Borrowing	–	–	–	–
Total liabilities	**–**	**–**	**–**	**–**

There are no level 3 financial instruments.

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 recognized at the accrued historical value less any amortization 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, totaled SEK 467,780 thousand (SEK 1,698,481 k) on 31 December 2017. SEK 409,215 thousand (SEK 1,504,645 k) of this sum was invested in fixed income funds with discretionary management. An average return on cash and cash equivalents of 0.35 percent (1.09%) was achieved in 2017. The return has fluctuated during the year between –0.40 and 0.27 percent (–0.13 and 0.25%). Assuming an average of existing short-term investments during the year, if the average return had been 1 percentage point higher or lower, the annualized positive or negative effect on the profit/loss would have been approximately SEK 13,100 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 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 2017. 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 1,108 thousand (SEK 2,907 k) in exchange rate profits/losses and the exchange rate items component of net financial items totals SEK –1,473 thousand (SEK –5,031 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 percent are shown below.

07 cont.

2017	Net sales	Costs	Operating profit/loss	Change +/– 5%
EUR	33,492	–63,804	–30,312	+/–1,516
USD	660	–98,868	–98,209	+/–4,910
GBP	–	–22,585	–22,585	+/–1,129
DKK	390	–4,985	–4,595	+/–230
NOK	311	–	311	+/–16
SEK	1,785	–209,231	–207,446	+/–0
Total	**36,639**	**–399,474**	**–362,835**	**+/–7,801**

2016	Net sales	Costs	Operating profit/loss	Change +/– 5%
EUR	66,130	–73,571	–7,441	+/– 372
USD	11,088	–55,038	–43,950	+/– 2,198
GBP	8,581	–28,590	–20,009	+/– 1,000
DKK	1,739	–14,698	–12,959	+/– 648
NOK	2,849	–5,857	–3,008	+/– 150
SEK	2,656	–227,669	–225,012	+/– 0
Total	**93,043**	**–405,423**	**–312,380**	**+/– 4,368**

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 percent against the above currencies' annualized average exchange rates would have entailed an improvement in the Group's net profit/loss of SEK 7,801 thousand (SEK 4,368 k). A corresponding weakening of the Swedish krona would have yielded a deterioration in the net profit/loss of SEK 7,801 thousand (SEK 4,368 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 totaled SEK 18,793 thousand, is 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 asset managers with high credit ratings, P-1 from Moody's. During 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. Medivir had SEK 536 thousand (SEK 12,808 k) in outstanding accounts receivable on the reporting date. Accounts receivable are reported in the amount that the company expects to receive. Accounts receivable in foreign currencies are converted at the closing day rate. Accounts receivable are exposed to credit risk and, in principle, to exchange rate risk. On 31 December 2017, however, all accounts receivable were denominated in Swedish kronor and hence no exchange rate risk exists. When assessing the impairment requirement for accounts receivable, the company primarily takes into account such factors as the time passed since the due date, evaluations of the customer's solvency, indications of insolvency, and individual agreements with the customer in question. In 2017, a bad debt loss of SEK 9,357 thousand (SEK 0 k) was reported, which comprises the exchange rate adjusted account receivable which, on the reporting date of 31 December 2016, fell into the category of 1–90 days overdue. No provision for bad debt losses has been made at the year end as Medivir expects to receive payment of the amounts due shortly.

	THE GROUP		PARENT COMPANY	
Age analysis, accounts receivable, SEK k	**2017**	**2016**	**2017**	**2016**
Not due	23	1,793	23	1,493
Due, 1–90 days	–	11,163	–	11,163
91+ days	513	–148	513	–148
Total	**536**	**12,808**	**536**	**12,508**

Other receivables total SEK 2,057 thousand (SEK 12,245 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. In February 2018, Medivir executed a directed share issue of approximately SEK 155 million before issue costs in order to strengthen its liquidity and secure the financing of research and development projects. These issue proceeds, together with available cash and cash equivalents and short-term investments, will enable Medivir both to actively conduct its ongoing research programs and to deliver the next stages in its clinical projects:

- completion of the MIV-711 phase IIa osteoarthritis extension study;
- completion of the birinapant dose escalation component of the phase I/II study in combination with Keytruda®;
- start and completion of the MIV-818 (HCC nuc) phase I study;
- preparations for the start of the clinical phase III CTCL study for remetinostat.

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. Current liabilities and ongoing operating expenses for 2018 are covered by Medivir's cash position and short-term investments. The company's management is of the opinion that Medivir is a going concern.

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. 2017	**Less than 1 year**	**1–2 years**	**More than 2 years**	**Less than 1 year**	**1–2 years**	**More than 2 years**
Accounts payable	33,740	–	–	33,735	–	–

	THE GROUP			PARENT COMPANY		
31 Dec. 2016	**Less than 1 year**	**1–2 years**	**More than 2 years**	**Less than 1 year**	**1–2 years**	**More than 2 years**
Accounts payable	56,813	–	–	56,813	–	–

The amounts maturing within 12 months are consistent with the reported amounts, because the discount effect is insignificant.

08 Interest income and similar profit/loss items

	THE GROUP		PARENT COMPANY	
SEK k	**2017**	**2016**	**2017**	**2016**
Interest income, Group companies	–	–	323	351
Interest income, other	76	24	76	24
Dividends from fixed income fund	–	4	–	4
Exchange rate differences	2,693	–	2,693	–
Change in fair value of fixed income fund, unrealized	4,570	9,248	4,570	9,228
Total	**7,339**	**9,276**	**7,662**	**9,607**

Exchange rate differences were reported in 2016 as part of "Change in fair value of fixed income fund, unrealized". The divested subsidiary, BioPhausia, impacted the Group to the tune of SEK 32 thousand in 2016, in that SEK 9,244 thousand was reported in the Income Statement in 2016.

09 Interest expenses and similar profit/loss items

	THE GROUP		PARENT COMPANY	
SEK k	**2017**	**2016**	**2017**	**2016**
Interest expenses, Group companies	–	–	–	–606
Interest expenses, other	–67	–4	–67	–2
Exchange rate differences	–4,166	–2,623	–4,166	–5,031
Change in fair value of fixed income fund, unrealized	–	–	–	–
Total	**–4,233**	**–2,627**	**–4,233**	**–5,639**

The divested subsidiary, BioPhausia, impacts the Group's figures for interest expenses in 2016 to the tune of SEK –2,391 thousand as SEK –5,018 thousand was reported in the Income Statement in 2016.

10 Tax

	THE GROUP		PARENT COMPANY	
SEK k	**2017**	**2016**	**2017**	**2016**
Tax on the profit/loss for the year				
Current tax	512	3,179	–628	–133
Change in deferred tax	–1,002	–3,539	–	351
Tax on the profit/loss for the year	**–490**	**–360**	**–628**	**218**
Applicable tax rate for the Parent Company	22%	22.0%	22%	22.0%
Difference between the Group's tax reported in the Income Statement and tax based on applicable tax rate				
Profit/loss before tax	–359,729	283,214	–360,714	406,082
Tax at the applicable rate for the Parent Company	79,140	–62,307	79,357	–89,338
Tax effect of non-deductible costs	–170	–288	–170	–288
Tax effect of non-taxable income	992	119,724	992	150,204
Effect of foreign tax rates	–	147	–	–90
Adjustment of tax in respect of previous years	444	3,269	–696	309
Tax effect of loss carry-forwards not previously capitalized	–80,896	–60,904	–80,111	–60,579
Reported tax	**–490**	**–360**	**–628**	**218**

The divested subsidiary, BioPhausia, impacts the Group's figures for tax in 2016 to the tune of SEK 12,230 thousand as SEK 11,870 thousand was reported in the Income Statement in 2016.

10 cont.

Changes in deferred tax for the period:

The Group	On 31 Dec. 2016	Operation acquired	Operation sold	Recognized in profit/loss	Recognized in equity	On 31 Dec. 2017
Deferred tax receivable						
Capitalized loss carry-forward	1,002	–	–	–1,002	–	–
Deferred tax liability						
Temporary differences relating to:						
Intangible assets	–	–	–	–	–	–
Untaxed reserves	–	–	–	–	–	–
Share-related incentive plans	–	–	–	–	–	–
Net deferred tax liability	**1,002**	**–**	**–**	**–1,002**	**–**	**–**

The Group	On 31 Dec. 2015	Operation acquired	Operation sold	Recognized in profit/loss	Recognized in equity	On 31 Dec. 2016
Deferred tax receivable						
Capitalized loss carry-forward	28,557	–	–18,703	–8,852	–	1,002
Deferred tax liability						
Temporary differences relating to:						
Intangible assets	–31,607	–	34,987	–3,381	–	–
Untaxed reserves	–27,373	–	19,030	8,343	–	–
Share-related incentive plans	–351	–	–	351	–	–
Net deferred tax liability	**–30,774**	**–**	**35,314**	**–3,539**	**–**	**1,002**

At the year-end, the total accumulated taxable loss of the Group was SEK 721 million (SEK 363 m) of which SEK 0 million (SEK 4 m) has been capitalized. The remaining loss comprises primarily losses within the Parent Company and the subsidiary company, Medivir UK Ltd. There is no time restriction on the utilization of capitalized loss.

Parent Company	On 31 Dec. 2016	Operation acquired	Operation sold	Recognized in profit/loss	Recognized in equity	On 31 Dec. 2017
Deferred tax liability						
Share-related incentive plans	–	–	–	–	–	–
Net deferred tax liability	**–**	**–**	**–**	**–**	**–**	**–**

Parent Company	On 31 Dec. 2015	Operation acquired	Operation sold	Recognized in profit/loss	Recognized in equity	On 31 Dec. 2016
Deferred tax liability						
Share-related incentive plans	–351	–	–	351	–	–
Net deferred tax liability	**–351**	**–**	**–**	**351**	**–**	**–**

11 Earnings per share

	THE GROUP	
	2017	**2016**
Continuing operations		
Basic earnings per share, SEK[1)]	–16.40	–10.94
Diluted earnings per share, SEK[2)]	–16.40	–10.94
Net profit/loss for the year, SEK k	–360,218	–294,855
Discontinued operations		
Basic earnings per share, SEK[1)]	–	21.44
Diluted earnings per share, SEK[2)]	–	21.39
Net profit/loss for the year, SEK k	–	577,709
Total operations		
Basic earnings per share, SEK[1)]	–16.40	10.50
Diluted earnings per share, SEK[2)]	–16.40	10.47
Net profit/loss for the year, SEK k	–360,218	282,854
Average number of shares, '000[3)]	21,963	26,941

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.
[3)] The average number of shares is a calculated average over 12 months in 2017.

12 Intangible fixed assets

2017, SEK k	THE GROUP Product rights	Goodwill	Capitalized R&D expenditure	Other	PARENT COMPANY Product rights	Capitalized R&D expenditure	Other
Cost at beginning of the year	3,798	–	117,592	5,715	3,798	117,592	5,715
Additions	–	–	2,063	12,946	–	2,063	12,946
Sales and disposals	–3,798	–	–111	–	–3,798	–111	–
Accumulated cost at year-end	**0**	**–**	**119,545**	**18,661**	**0**	**119,545**	**18,662**
Amortization at beginning of the year	–1,045	–	–3,026	–1,137	–1,045	–3,026	–1,137
Amortization for the year	–190	–	–435	–1,990	–190	–435	–1,990
Sales and disposals	1,234	–	–	–	1,234	–	–
Accumulated amortization at year-end	**0**	**–**	**–3,461**	**–3,127**	**0**	**–3,461**	**–3,127**
Depreciation at beginning of the year	–	–	–10,045	–	–	–10,045	–
Depreciation for the year	–2,564	–	–8,864	–	–2,564	–8,864	–
Sales and disposals	2,564	–	32	–	2,564	32	–
Accumulated depreciation at year-end	**0**	**–**	**–18,877**	**–**	**0**	**–18,877**	**–**
Book value at year-end	**0**	**–**	**97,207**	**15,534**	**0**	**97,207**	**15,534**

2016, SEK k	THE GROUP Product rights	Goodwill	Capitalized R&D expenditure	Other	PARENT COMPANY Product rights	Capitalized R&D expenditure	Other
Cost at beginning of the year	335,672	150,420	21,372	9,523	3,798	21,372	9,523
Additions	–	–	96,220	–	–	96,220	–
Sales and disposals	–331,874	–150,420	–	–3,808	–	–	–3,808
Accumulated cost at year-end	**3,798**	**–**	**117,592**	**5,715**	**3,798**	**117,592**	**5,715**
Amortization at beginning of the year	–101,961	–	–2,581	–3,522	–665	–2,581	–3,522
Amortization for the year	–22,007	–	–445	–764	–380	–445	–764
Sales and disposals	122,923	–	–	3,149	–	–	3,149
Accumulated amortization at year-end	**–1,045**	**–**	**–3,026**	**–1,137**	**–1,045**	**–3,026**	**–1,137**
Depreciation at beginning of the year	–110	–	–10,045	–748	–	–10,045	–748
Depreciation for the year	–	–	–	748	–	–	748
Sales and disposals	110	–	–	–	–	–	–
Accumulated depreciation at year-end	**–**	**–**	**–10,045**	**–**	**–**	**–10,045**	–
Book value at year-end	**2,754**	**–**	**104,522**	**4,578**	**2,754**	**104,522**	**4,578**

12 cont.

Product rights
The product rights previously related to the product portfolio of proprietary products acquired as part of the acquisition of BioPhausia AB, which was sold to Karo Pharma on 15 December 2016. All assets divested are reported under "Sales and disposals". Amortization of the product portfolio was effected linearly over the estimated useful life of 15 years.

Capitalized research and development expenditure
Capitalized expenditure for research and development work relates both to capitalized development expenditure for Xerclear and to the Birinapant and Remetinostat research programs acquired. The useful life of completed projects is based on the lifetime of the underlying patents and totals 10 years. Amortization is effected linearly in order to spread the development costs over the estimated useful life. Amortization of other intangible assets acquired, such as development projects, is effected linearly over the useful life and is linked to the lifetime of the patents obtained. Birinapant and Remetinostat are not yet completed and amortization has not yet begun.

Other
Other intangible assets relates to capitalized development expenditure on ERP systems. The useful life is estimated at 5 years.

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

Research projects that have been acquired but which are not yet completed for sale are subject to annual impairment testing. The value is also monitored and reviewed if there are indications to suggest that the carrying amount is not recoverable. This might, for example, happen in conjunction with failed research results or in the absence of the resources required to render the asset ready for sale. An impairment of the residual value of SEK 2,564 thousand in Adasuve, which was formerly part of Medivir's commercial product portfolio, was carried out in Q2 2017. An impairment of the residual value of SEK 8,865 thousand in the in-licensed research project, RSV, was carried out in Q4 2017, due to uncertainty regarding the future value of the project.

The recoverable value of other projects reported by the company in the Balance Sheet has, in conjunction with the annual review of recoverable amounts, been deemed to correspond to the market value in conjunction with the most recent transaction, which corresponds to the book value.

13 Tangible fixed assets

SEK k	THE GROUP		PARENT COMPANY	
Buildings and land[1)]	**2017**	**2016**	**2017**	**2016**
Cost at beginning of the year	4,245	4,245	4,245	4,245
Capital expenditure	–	–	–	–
Accumulated cost at year-end	**4,245**	**4,245**	**4,245**	**4,245**
Depreciation at beginning of the year	–3,592	–3,375	–3,592	–3,375
Depreciation for the year	–182	–217	–182	–217
Accumulated depreciation at year-end	**–3,774**	**–3,592**	**–3,774**	**–3,592**
Book value at year-end	**471**	**653**	**471**	**653**

[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	**2017**	**2016**	**2017**	**2016**
Cost at beginning of the year	123,130	128,692	123,130	127,331
Capital expenditure	160	10,102	160	10,102
Sales and disposals	–6,605	–15,664	–6,605	–14,303
Accumulated cost at year-end	**116,684**	**123,130**	**116,684**	**123,130**
Depreciation at beginning of the year	–101,827	–103,279	–101,827	–102,142
Depreciation for the year	–5,958	–10,710	–5,958	–10,579
Sales and disposals for the year	5,065	12,162	5,065	10,894
Accumulated depreciation at year-end	**–102,719**	**–101,827**	**–102,719**	**–101,827**
Book value at year-end	**13,965**	**21,303**	**13,965**	**21,303**

14 Participations in Group companies

	PARENT COMPANY	
SEK k	**2017**	**2016**
Opening cost	147,243	751,355
Divestments	–	–604,112
Shareholders' contributions made	1,932	–
Closing accumulated cost	**149,175**	**147,243**
Opening depreciation	–147,143	–147,143
Depreciation for the year	–1,932	–
Closing accumulated depreciation	**–149,075**	**–147,143**
Book value at year-end	**100**	**100**

Subsidiary company:	**Corporate ID no.**	**Registered office**	**Number of shares**	**Share of capital**	**Book value, 2017**	**Book value, 2016**
Glycovisc BioTech AB	556535-0005	Huddinge	5,000	100%	0	0
Medivir UK Ltd[1)]	3496162	Essex (UK)	2,000,007	100%	–	–
Medivir Personal AB	556598-2823	Huddinge	1,000	100%	100	100
Tetralogic Birinapant UK Ltd[1)]	9497530	Birmingham (UK)	2	100%	–	–
Tetralogic Shape UK Ltd[1)]	9497577	Birmingham (UK)	2	100%	–	–
Total					**100**	**100**

BioPhausia AB was divested in 2016. Tetralogic Birinapant and Tetralogic Shape were acquired without consideration in 2016.

[1)] The company is exempted from statutory audit requirements, pursuant to section 476 of The Companies Act, 2006.

15 Financial assets held for sale

	THE GROUP		PARENT COMPANY	
SEK k	**2017**	**2016**	**2017**	**2016**
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 2017. As of 2014, gross values in respect of the opening book value and accumulated impairment losses are reported as totals per share holding.

16 Inventories

	THE GROUP		PARENT COMPANY	
SEK k	**2017**	**2016**	**2017**	**2016**
Finished goods	–	432	–	432
Total	**–**	**432**	**–**	**432**

Impairment of inventories totals SEK 0 thousand (SEK 1,364 k). The impairment has been charged to Cost of goods sold.

17 Prepaid costs and accrued income

	THE GROUP		PARENT COMPANY	
SEK k	**2017**	**2016**	**2017**	**2016**
Prepaid rent	2,002	4,274	160	2,379
Licensing fees	2,935	3,681	2,935	3,681
Accrued royalty income	3,694	6,520	3,694	6,520
Repairs and Maintenance	1,169	1,130	1,169	1,130
Trade literature and publications	1,557	1,058	1,557	1,058
Insurance	531	416	531	416
Research expenses	–	22,172	–	22,172
Other items	251	1,132	251	1,132
Total	**12,139**	**40,383**	**10,297**	**38,488**

18 Other short-term investments and cash equivalents

	THE GROUP		PARENT COMPANY	
SEK k	**2017**	**2016**	**2017**	**2016**
Fixed income and bond funds	409,215	1,504,645	409,215	1,504,645
Cash and bank balances	58,565	193,836	49,448	187,883
Total	**467,780**	**1,698,481**	**458,663**	**1,692,528**

The Group's net available cash on the balance sheet date amounted to SEK 467,780 thousand. In 2016, SEK 90,000 thousand was held in a locked client account as part of the sum in cash and bank balances for the year. This sum was unlocked in 2017 and is now part of the company's short-term investments.

19 Provisions

	THE GROUP		PARENT COMPANY	
SEK k	**2017**	**2016**	**2017**	**2016**
Restructuring costs, personnel	7,057	30,349	7,057	30,349
Total	**7,057**	**30,349**	**7,057**	**30,349**

Restructuring provision for premises etc. is included in accrued expenses with SEK 11,857 thousand in 2016.

20 Accrued costs and deferred income

	THE GROUP		PARENT COMPANY	
SEK k	**2017**	**2016**	**2017**	**2016**
Accrued personnel costs	19,751	27,397	19,515	27,161
Accrued research costs	14,852	18,519	14,852	18,519
Deferred royalty payments	11,070	14,842	11,070	14,842
Deferred rental income	3,958	4,032	–	–
Restructuring costs	–	204	–	204
Accrued property costs	2,020	11,937	2,020	11,937
Other items	4,198	3,350	4,020	3,060
Total	**55,849**	**80,282**	**51,477**	**75,722**

21 Pledged assets

	THE GROUP		PARENT COMPANY	
SEK k	**2017**	**2016**	**2017**	**2016**
Floating charges	–	–	–	–
Bank balances (Escrow)	–	90,000	–	90,000
Total	**–**	**90,000**	**–**	**90,000**

Bank balances refers to that element of the consideration in conjunction with the sale of the subsidiary BioPhausia AB that constitutes security for the vendor's guarantees. The pledge was redeemed in December 2017, as per the transfer agreement.

22 Undertakings and contingent liabilities

	THE GROUP		PARENT COMPANY	
SEK k	**2017**	**2016**	**2017**	**2016**
Contractual guarantees as per transfer agreement	–	180,000	–	180,000
Parent Company guarantees for subsidiary companies	–	–	5,000	5,000
Total	**–**	**180,000**	**5,000**	**185,000**

SEK 180,000 thousand in 2016 was related to contractual guarantees in accordance with the transfer agreement for the sale of the subsidiary BioPhausia AB which has been finalized in 2017.

22 cont.

Research and development undertakings linked to milestones
Medivir has several ongoing research and development partnerships, including in-licensed projects or similar kinds of arrangement, with a variety of parties. These partnerships may oblige Medivir to make payments in conjunction with the achievement of research, launch or net sales targets. The company is, however, generally entitled to terminate such partnership agreements without incurring any costs thereby. Medivir does not classify research and development milestones as intangible assets until a payment obligation of this kind arises, which is generally when the company reaches pre-determined points in the development cycle. The table below shows Medivir's contingent liabilities in the form of potential development and net sales payments that Medivir may be obliged to make during the course of these partnerships.

SEK k	Total	Within 12 months	12–24 months	25–48 months	48 months +
Future contingent liabilities linked to the development cycle	813,753	100,844	–	–	712,909
Future contingent liabilities linked to net sales targets	996,096	–	–	–	996,096
Total	**1,809,849**	**100,844**	**–**	**–**	**1,709,005**

The table includes all potential payments for milestones achieved during ongoing research and development agreements. Net sales-related milestone payments refer to the maximum possible disbursement based on specified net sales levels when a product has reached the market in accordance with the agreements entered into. The amounts do, however, exclude variable payments based on sales volumes (known as royalty payments), which are carried as expenses in conjunction with the recognition of the sale. The table also excludes those payments booked as assets in the Balance Sheet on 31 December 2017.

The future contingent liabilities reported represent contractual payments and are not discounted or risk adjusted. As stated in the company's risk factors on pages 31–32, pharmaceutical development is a complicated and risky process that can fail at any stage of the development process due to a wide variety of factors (such as failure to obtain regulatory approval, unfavorable data from ongoing trials, adverse events, or other safety aspects). The date of any disbursement depends on the company's undertakings with regard to the achievement of relevant milestones. No contingent liabilities were booked in 2017 since the company assessed that the likelihood of reaching the milestones is not yet high enough.

23 Cash flow analysis, supplementary disclosures

	THE GROUP		PARENT COMPANY	
SEK k	**2017**	**2016**	**2017**	**2016**
Interest paid and dividends received				
Dividends received	–	4	–	4
Interest payments received	76	12	399	24
Interest payments made	–67	–2	–67	–608
Adjustments for non-cash items				
Amortization and depreciation of assets	29,969	33,460	31,901	11,756
Unrealized exchange rate differences	7	–347	–	–
Capital gain/loss on sale/ disposal of fixed assets	–	2,893	–	2,893
Capital gain/loss on the sale of operations/subsidiaries	–	–534,781	–	–304,996
Change in restructuring provisions	–23,292	33,567	–23,292	33,567
Share savings plan: value of employees' service	–	1,240	–	1,240
Other	–	–	–	–
Total	**6,684**	**–463,968**	**8,609**	**–255,540**

	THE GROUP		PARENT COMPANY	
SEK k	**2017**	**2016**	**2017**	**2016**
Divestment of subsidiaries and other commercial units				
Assets and liabilities divested:				
Product rights	–	208,876	–	–
Goodwill	–	150,420	–	–
Tangible fixed assets	–	153	–	–
Financial assets	–	–	–	604,112
Inventories	–	24,302	–	–
Operating receivables	–	31,811	–	–
Liquid assets	–	764	–	–
Total assets	**–**	**416,327**	**–**	**604,112**
Deferred tax	–	34,987	–	–
Operating liabilities	–	7,013	–	–
Total liabilities and provisions	**–**	**42,000**	**–**	**–**
Consideration received	–	909,108	–	909,108
Less: liquid assets in the divested unit	–	–764	–	–
Effect on liquid assets	**–**	**908,344**	**–**	**909,108**

24 Reconciliation of net debt

Reconciliation of net debt
The net debt and changes in the net debt in 2017 are analyzed below.

	THE GROUP		PARENT COMPANY	
	2017	**2016**	**2017**	**2016**
Cash and cash equivalents	58,565	193,836	49,448	187,884
Short-term investments	409,215	1,504,645	409,215	1,504,645
Accrued restructuring costs	–7,057	–30,349	–7,057	–30,349
Current liabilities	–95,056	–158,242	–113,411	–174,602
Net debt	**365,666**	**1,509,890**	**338,195**	**1,487,577**

The Group	**Other assets**		**Other liabilities**		
	Cash and cash equivalents/current account overdraft facility	**Short-term investments**	**Loan liabilities maturing within 1 year**	**Loan liabilities maturing after 1 year**	**Total**
Net debt on 1 January 2017	**193,836**	**1,504,645**	**–188,591**	**–**	**1,509,890**
Cash flow	–135,244	–237,959	–	–	–373,203
Redemption plan	–	–857,471	–	–	–857,471
Exchange rate differences	–27	–	–	–	–27
Other non-cash items	–	–	86,478	–	86,478
Net debt on 31 December 2017	**58,565**	**409,215**	**–102,113**	**–**	**365,666**

Parent Company	**Other assets**		**Other liabilities**		
	Cash and cash equivalents/current account overdraft facility	**Short-term investments**	**Loan liabilities maturing within 1 year**	**Loan liabilities maturing after 1 year**	**Total**
Net debt on 1 January 2017	**187,884**	**1,504,645**	**–204,951**	**–**	**1,487,577**
Cash flow	–138,436	–237,959	–	–	–376,395
Redemption plan	–	–857,471	–	–	–857,471
Exchange rate differences	–	–	–	–	–
Other non-cash items	–	–	84,483	–	84,483
Net debt on 31 December 2017	**49,448**	**409,215**	**–120,468**	**–**	**338,195**

25 Divested operations

On 1 November 2016, Medivir announced the sale of its Nordic Brands operations through its subsidiary company, BioPhausia AB. The transaction of 15 December yielded a capital gain of SEK 534.8 million. The capital gain also included transaction costs totaling SEK 19.9 million. Payment for the shares totaled SEK 928.2 million, of which SEK 926.2 million was paid in cash. SEK 90.0 million of the amount paid was deposited in an Escrow account with Swedbank. The liquid assets in BioPhausia AB amounted to SEK 0.8 million and the total cash flow from the sale of BioPhausia totaled SEK 908.3 million. The 2016 divestment has been recognized separately in the Income Statement as a discontinued operation, in accordance with IFRS 5. A discontinued operation is recognized separately from continuing operations in the Income Statement with retroactive effect for previous periods. Nordic Brands is recognized as a discontinued operation below. On 31 December 2017, the outstanding receivable from the purchaser, Karo Pharma AB, was SEK 0 million (SEK 2.0 m).

	THE GROUP	
Discontinued operation's share of the profit/loss and cash flow, SEK k	**2017**	**2016**
Profit/loss for the period for the discontinued operation, Nordic Brands		
Operating income	–	184,912
Operating expenses	–	–132,868
Operating profit/loss	**–**	**52,044**
Capital gain/loss from divested operations	–	534,781
Financial items	–	3,114
Profit/loss before tax	**–**	**589,939**
Tax	–	–12,230
Profit/loss after tax	**–**	**577,709**
Cash flow attributable to divested operations		
Cash flow from the continuing operations	–	64,888
Cash flow from the investment activities	–	908,344
Cash flow from the financing activities	–	–
Cash flow for the period	**–**	**973,232**

26 Events after the end of the reporting period

Extraordinary General Meeting
In January, the Board of Directors of Medivir announced that it would seek authorization for a new share issue in order to increase the company's financial flexibility, and accordingly convened an Extraordinary General Meeting. Medivir simultaneously announced that the company's class A shareholders had informed the company that they intend to convert all of their class A shares in Medivir to class B shares. There will no longer be any outstanding class A shares after the conversion, but the total number of shares in the company will be unaffected. The Extraordinary General Meeting, which was held on Friday, 26 January, resolved to grant the Board an extended mandate to issue new class B shares in a deviation from the shareholders' pre-emptive rights. The total number of shares that may be issued in accordance with the resolution may not exceed 20 percent of the total number of class B shares extant on the date of the Meeting's resolution. The Extraordinary General Meeting further resolved that the Board may issue new class B shares with pre-emptive rights for the company's shareholders.

Directed share issue
On 2 February 2018, Medivir executed a directed share issue for approximately SEK 155 million before transaction costs. The new shareholders comprise investors specializing in the life sciences sector.

MIV-818 – successful completion of preclinical safety studies
Preclinical safety studies of MIV-818 were successfully completed and Medivir intends, during the first half of 2018, to submit the requisite regulatory applications to the authorities. The first clinical trials of MIV-818 are then scheduled to commence in the latter half of 2018. MIV-818 is Medivir's proprietary nucleotide prodrug which targets the liver and is being developed for the treatment of hepatocellular carcinoma (HCC) and other liver cancers. This is the first development project to develop from Medivir's own research in the field of oncology.

Nomination Committee proposes a new Board of Directors ahead of 2018 AGM
The Nomination Committee has agreed, ahead of the upcoming 2018 AGM, to propose that a new Board of Directors be appointed by means of the re-election of the existing Board Members, Anders Hallberg, Bengt Julander, Helena Levander, Anna Malm Bernsten and Bengt Westermark, and the new election of two Members, Uli Hacksell and Lennart Hansson. The Nomination Committee proposes the re-election of Anna Malm Bernsten as the Chairman of the Board. Anders Ekblom has declined re-election.

Change in Management Team
In March, it was announced that John Öhd, Chief Medical Officer, has decided to leave the company. He will remain with Medivir until July 15, 2018. A recruitment process to find a new Chief Medical Officer has been initiated.

27 Proposed treatment of non-restricted equity

The Board of Directors proposes that the accumulated loss be carried forward.

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 describes significant risks and uncertainty factors facing the companies included in the Consolidated Accounts.

Stockholm, 23 March 2018

Anders Ekblom
Member of the Board

Anders Hallberg
Member of the Board

Bengt Julander
Member of the Board

Björn Klasson
Member of the Board,
Employee Representative

Helena Levander
Member of the Board

Stina Lundgren
Member of the Board,
Employee Representative

Anna Malm Bernsten
Chairman of the Board

Bengt Westermark
Member of the Board

Christine Lind
President & CEO

Our Audit Report was submitted on 28 March 2018
Öhrlings PricewaterhouseCoopers AB

Tobias Stråhle
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Medivir AB (publ), corporate identity number 556238-4361

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Medivir AB (publ) for the year 2017 except for the corporate governance statement on pages 34–41. The annual accounts and consolidated accounts of the company are included on pages 29–75 in this document.

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 parent company as of 31 December 2017 and its financial performance and cash flow 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 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 34–41. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or its controlled companies within the EU.

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

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The transaction flow, as well as the processes that the company applies to ensure financial reporting, is limited in scope. The financial reporting is supervised by a small group of people within the company's finance department, management and board.

Against this background, we have mainly gathered audit evidence through tests of details in the accounts and the company controls regarding closing of accounts. The testing is carried out by random sampling, where we review the transactions in the accounts and financial statements against supporting documentation.

Our audit of the consolidated financial statements have included the material unit, which consists of Medivir AB. Other subsidiaries included in the consolidated financial statements, is in our opinion an insignificant part of the Group.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the Key audit matter*
Valuation of intangible fixed assets In December 2016, Medivir acquired the research projects Remetinostat and Birinapant. The research projects have yet to be completed and annual amortizaions has not yet commenced. As described in the directors report under the section "risk factors" on page 31–32 development of pharmaceuticals is a time-consuming and risky process. Furthermore, under the "Important Estimates and judgements" section on page 69, intangible assets are associated with estimates and judgement of the future. How the assessment was made is disclosed in note 12 on pages 68–69. The company has a separate R&D committee which continuously monitors and evaluates the result of ongong research. The results of the monitoring procedure is reported to the Board. According to IFRS, it is required that assets with indefinite lifespan are tested for impairment at least annually. The trial means that management needs to apply assessments and estimates of the future to ensure the book value does not exceed fair value. For the above reasons, valuation of intangible fixed assets is considered to be a Key audit matter.	In our audit, our task is to evaluate and review the company's application of accounting principles and the documentation prepared by management to support the impairment test. One important are is for us to understand the model the company applies. Our audit has included, but is not limited to, the following. We have obtained the company's calculations and qualitative assessments of the value established in the original acquisition and evaluated them. We have tested the company's conclusion by obtaining company's assessment, sales contracts and correspondence between buyers and sellers. We conducted follow-up to original purchase agreements and followed up on the current status of the research projects, including reports from the company's R & D committees and board material. We have obtained management comments on the development of the research projects and the results presented in the company press releases. Our audit has not resulted in any adjustments and we have not reported any significant observations regarding the valuation of intangible fixed assets to the Audit Committee.
Provisions and contingent liabilities Another important area for management to assess is how additional payment consideration linked to milestones, which are paid when specific research goals are achieved is to be disclosed in the financial statements. Medivir has a number of such commitments which are disclosed as contingent liabilities in note 22 on pages 71–72 of the annual report. When the probability of payment is more than 50%, the amount corresponding to the payment should instead be accounted for as a liability. As described in the directors report under the section "risk factors" on page 31–32 development of pharmaceuticals is a time-consuming and risky process. At December 31, 2017, the company has assessed that no part of the future potential milestone payments should be accounted for as liabilities as it is not yet likely that payment will be made. The assessment requires management to apply estimates and judgments of the future to ensure that the correct amount is accounted for as liabilites and that correct information is provided about significant contingent liabilities in the form of future potential milestone payments. For the above reasons, this is considered to be a kay audit matter.	Our audit has included, but is not limited to, the following. We have followed up on the current status of the research projects, including reports from the company's R & D committees and board material and obtained the management's comments on current development in order to evaluate management's assessment of the likelihood that future potential milestone payments will be made. We have evaluated and challenged the management's interpretation of the agreements and the management's conclusion not to impose additional amounts in the annual accounts. We have also assessed the information provided by the management in the annual report in Note 22 and in the Directors' Report Our audit has not resulted in any adjustments and we have not reported any significant observations regarding provisions and contingent liabilities to the Audit Committee.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–29 and 80–84. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Medivir AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 34–41 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement. This means that our 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. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21 in Stockholm, was appointed as auditors of Medivir AB (publ)s by the annual general meeting of the shareholders on May 3, 2017 and has been the company auditors since February 29, 1996. Tobias Stråhle has been main responsible audit of Medivir AB (publ) from the annual general meeting of the shareholders held May 3, 2016.

Täby on 28 March 2018

Öhrlings PricewaterhouseCoopers AB

Tobias Stråhle
Authorized Public Accountant

Key ratios

The Group, continuing operations[1)]	2017	2016	2015	2014	2013	2012
EBITDA, SEK k	–342,580	–278,919	95,662	1,221,925	76,389	–165,254
EBIT, SEK k	–362,835	–312,380	55,428	1,188,731	25,164	–201,331
Operating margin, %	–990.3	–335.7	11.7	67.3	5.6	–118.0
Profit margin, %	–981.8	–329.7	9.7	67.5	6.2	–123.5
Debt/equity ratio, multiple	0.2	0.1	0.1	0.1	0.1	0.1
Return on:						
shareholders' equity, %	–32.1	–18.5	1.8	84.1	3.2	–21.4
capital employed, %	–32.0	–19.3	2.7	80.6	3.3	–17.6
total capital, %	–28.3	–17.3	2.5	75.2	3.3	–16.6
Equity/assets ratio, %	83.4	90.2	89.7	90.8	85.7	81.3
Average number of shares, '000	21,963	26,941	29,048	31,260	31,260	31,257
Number of shares at year-end, '000	20,319	26,966	26,966	31,260	31,260	31,260
Earnings per share, SEK						
Basic earnings per share, continuing operations	–16.40	–10.94	1.09	36.24	0.51	–7.49
Diluted earnings per share, continuing operations	–16.40	–10.94	1.08	35.90	0.51	–7.49
Basic earnings per share, discontinued operations	–	21.44	1.49	–	–1.19	–
Diluted earnings per share, discontinued operations	–	21.39	1.48	–	–1.19	–
Basic earnings per share, all operations	–16.40	10.50	2.59	36.24	–0.68	–7.49
Diluted earnings per share, all operations	–16.40	10.47	2.56	35.90	–0.68	–7.49
Equity per share, before and after dilution, SEK[2)]	25.31	64.38	54.04	63.42	27.27	27.99
Net worth per share, before and after dilution, SEK[2)]	25.31	64.38	54.04	63.42	27.27	27.99
Cash flow per share from operating activities, SEK	–16.32	–6.68	11.95	32.45	1.38	–4.47
Cash flow per share after investments, SEK	–16.94	23.05	11.44	31.88	4.93	–4.69
Cash flow per share after financing activities, SEK	–56.03	23.03	–10.99	31.88	3.37	–7.66
Dividend per share, SEK	–	–	–	–	–	–
Number of outstanding share warrants	57,835	62,842	238,254	294,486	249,110	394,400
Capital employed	514,057	1,733,922	1,450,109	2,032,778	955,470	963,537
Research and development costs/operating expenses, %	79.4	78.8	73.1	60.8	65.7	65.4

[1)] No recalculation has occurred for 2014 and previous years with regard to the discontinued operations in 2016.
[2)] 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 a conversion of the outstanding share warrants in Medivir.

Six-year summary

The Group, continuing operations, SEK k	2017	2016	2015	2014	2013	2012
Income Statements[1)]						
Net sales	36,639	93,043	474,274	1,766,989	446,146	170,647
Total expenses	–399,474	–405,423	–418,846	–578,257	–420,983	–371,978
Operating profit/loss	–362,835	–312,380	55,428	1,188,731	25,164	–201,331
Net financial items	3,106	5,655	–9,225	3,970	2,470	–9,441
Profit/loss after financial items	–359,729	–306,725	46,203	1,192,701	27,633	–210,772
Tax	–490	11,870	–14,495	–59,966	–11,619	–23,325
Profit/loss after tax	–360,218	–294,855	31,708	1,132,735	16,014	–234,098

	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec, 2014	31 Dec 2013	31 Dec 2012
Balance Sheets						
Intangible fixed assets	112,742	111,854	398,022	417,577	432,080	514,389
Tangible fixed assets	14,436	21,956	26,283	26,875	27,958	36,070
Financial fixed assets	–	–	–	2,500	10,001	–
Deferred tax receivables	–	1,002	–	–	43,187	49,238
Inventories and current receivables	21,213	88,209	114,008	341,317	80,025	179,771
Liquid assets and short-term investments	467,780	1,698,481	1,077,942	1,395,621	402,220	296,727
Equity	514,057	1,732,912	1,450,109	1,982,604	852,587	874,880
Deferred tax liability/provisions	–	–	351	468	–	–
Long-term interest-bearing liabilities	–	–	–	–	40,000	40,000
Long-term non-interest-bearing liabilities	–	–	–	–	–	448
Current liabilities	102,113	188,591	165,795	201,286	102,883	160,867
Balance Sheet total	616,171	1,921,503	1,616,255	2,183,891	995,470	1,076,195

[1)] No recalculation has occurred for 2014 and previous years with regard to the discontinued operations in 2016.

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 non-interest-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 average 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 amortization, 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

Biomarker
A biological or chemical marker which can be used as an indicator that a pharmaceutical substance may have an effect on a disease.

Blockbuster
A pharmaceutical drug with annual sales exceeding USD 1 billion.

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

Clinical trials
Trials of pharmaceutical substances on human subjects.

Collagen
A protein that forms fiber structure. Collagen provides support for supportive tissues such as bones, skin and tendons. Collagen makes up almost 30% of the body's total protein.

Colorectal cancer
Cancer in the colon or rectum, the second most usual form of cancer in both men and women in Sweden. The curative treatment is surgery, sometimes in combination with radiation therapy or chemotherapy.

Deubiquitinases (DUBs)
A large group of proteases (enzymes) that cleave ubiquitin from for example proteins. Ubiquitin is a protein with 76 amino acids whose primary purpose is to "mark" other intracellular proteins for degradation.

EMA
The European Medicines Agency.

Enzyme
A protein molecule that catalyzes chemical reactions in cells without the actual enzyme being consumed. Polymerases and proteases are examples of enzymes.

Fast Track
A designation that is granted to a candidate drug by the FDA and expedites the regulatory authorities' review of the drug. The status is only granted to drugs which show promise in treating a serious or life-threatening disease and address an unmet medical need. PRIME, granted by EMA, is the corresponding European designation.

FDA
The United States Food and Drug Administration.

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

Histone deacetylases (HDACs)
A class of enzymes that remove acetyl groups from the side-chains of amino acids in histones.

Histones
A group of proteins which, together with DNA, form nucleoproteins that make up the body's chromosomes.

Immune checkpoint inhibitors
Antibodies that are intravenously administered, bind to T-cell lymphomas and activate the immune-system. Also called T-cell activating antibodies.

IND
Investigational New Drug. An application to initiate clinical trials in the US.

Metabolites
Metabolic compounds that are created in the processes where e.g. a pharmaceutical drug is absorbed, converted and degraded in the body.

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

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

Nucleotide
A nucleoside with one or more phosphate groups.

Orphan drugs
Pharmaceutical agents for the treatment of extremely rare diseases.

Orphan Drug Designation
Orphan Drug Designation (ODD) is granted by the FDA and EMA and can imply certain financial easing for the development of a drug. This may include lower fees to the authorities and increased market protection, including market exclusivity for the approved use (10 years in Europe and 7 years in the United States).

PD1 inhibitors
A novel class of cancer drugs that acts by blocking the binding of two PD1-protein ligands, PDL1 and PDL2, and in this way activate the T-cells and the immune system.

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

Prodrug
An inactive drug substance that is converted to its active form when entering the body.

Protease
An enzyme that can cleave proteins into smaller units.

Skin lesions
Medical term for an injury or morbid change in the skin tissue, for example growths or spots.

SMAC mimetic
SMAC (second mitochondrial activator of caspases) is a protein found naturally in cells. Smac mimetics drugs block survival signals that cancer cells are dependent on to avoid cell death.

Systemic effect
The pharmaceutical drug enters the bloodstream and effects other places in the body than where it was applied. Tablets do usually have systemic effect. The opposite of systemic effect is local or topical effect.

Topical administration
Application of a drug directly at the place where it should have its effect. Topical administration is used, for example, for medicines applied to skin, eyes and ears.

Troxacitabine
A nucleoside analogue with anticancer activity.

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.

Shareholder information

Financial calendar, 2018

- Q1 Interim Report January–March, publishing date 27 April.
- Q2 Interim Report January–June, publishing date 25 July.
- Q3 Interim Report January–September, publishing date 26 October.

The reports will be available on Medivir's website; www.medivir.com, 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,
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2018 Annual General Meeting

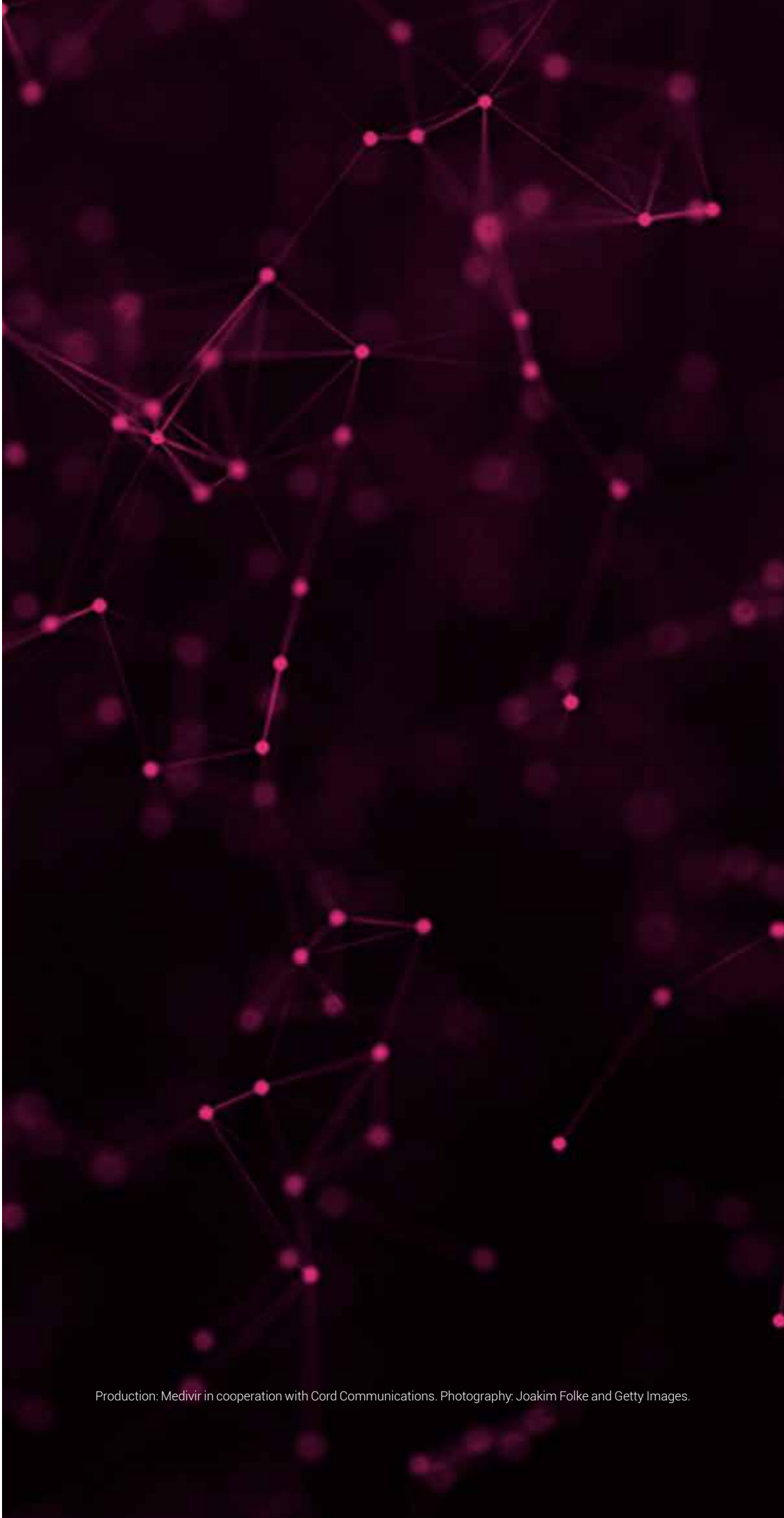
The Annual General Meeting will be held at
the IVA conference facility at Grev Turegatan 16, Stockholm, Sweden at 14.00 (CET) on Thursday, 3 May.

Shareholders wishing to attend the Annual General Meeting shall:

- be entered in the register of shareholders maintained by Euroclear Sweden AB no later than 26 April 2018,
- notify the company of their intention to attend, stating their name, address and telephone number, either by letters in the post to:
  Medivir AB, PO BOX 1086, SE-141 22 Huddinge, Sweden
  or by telephone: +46 (0)8 5468 31 00
  or by email: enter@medivir.se
  no later than 26 April 2018.

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 26 April 2018.

For full details of the 2018 Annual General Meeting, please see the convening notice on the website, Medivir.com.



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