ANNUAL REPORT

2018

MEDIVIR

Contents

Introduction

Operations

Directors´ report

Financial reports

Other

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

2018 in brief and significant events

The project portfolio

- Positive top-line results from phase II extension study with MIV-711 for osteoarthritis.
- An investigator-initiated clinical phase II study of remetinostat in patients with basal cell cancer was initiated at Stanford University.
- Clinical phase Ia study with MIV-818 was initiated to study the safety, tolerability and pharmacokinetics of patients with advanced cancer in the liver.
- Positive interim data for birinapant in a combination study with Keytruda® in cancer patients already receiving available approved treatment options.
- Phase I study of birinapant in combination with Keytruda® was completed and the dose for the phase II study was established.
- Phase II study of birinapant in combination with Keytruda® was initiated in patients with colorectal cancer.
- MIV-828 was selected as a candidate drug for the treatment of blood cancer.

The Company

- At the beginning of February, Medivir carried out a directed new share issue of approximately 155 MSEK before transaction costs.
- All A-shares were converted to B-shares.
- Medivir announced on October 15 its plan to concentrate its operations on the clinical development of the company's candidate drugs. Uli Hacksell joined as the new CEO.
- The reorganization into a purely clinical drug development company was carried out and Medivir's organization was reduced through layoffs, primarily in preclinical research and administration, from 75 to a total of 17 employees.

"To ensure that our resources are used where we can create the greatest value, we have concentrated our operations on clinical development."

Uli Hacksell, CEO

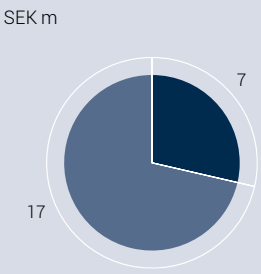
Key ratios[1]

SEK m	2018	2017	2016	2015	2014
Net turnover[2]	24	37	93	474	1,767
Operating profit[2]	-351	–363	–312	55	1,189
Liquid assets	286	468	1,698	1,078	1,396
Equity/assets ratio, %	73	83	90	90	91
Number of employees	75	88	117	127	141

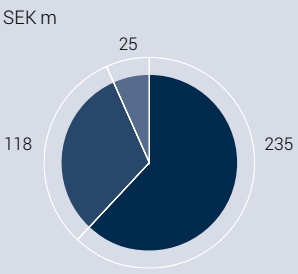
1) A voluntary redemption program offering Medivir's shareholders the opportunity to redeem one in every four shares at a price of SEK 129 was approved at an Extraordinary General Meeting held after the end of 2016. The redemption process will entail the transfer of SEK 857.5 million of the company's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

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

Net turnover



Operating expenses



CEO's message

Medivir's reorganization is now complete. We have entered 2019 with a slimmed organization that has a clear focus on the exciting clinical projects.

An important event in 2018 was the reorganization that was presented in connection with me becoming CEO on October 15. To ensure that our resources are used where we can create the greatest value, we have concentrated our operations on clinical development. Fundamentally, the measures are based on the positive development of our clinical projects.

Through the redundancies, primarily within preclinical research and administration, the organization has been reduced from 75 to a total of 17 employees. The measures will free up resources for Medivir's clinical development projects as they are expected to reduce our cost base by about two thirds.

The most important task for Medivir is to develop and realize the value of our clinical development portfolio.

Remetinostat – we are refining the phase III design and are looking for a partner

Remetinostat is Medivir's topical HDAC inhibitor being developed for the treatment of mycosis fungoides, the most common form of cutaneous T-cell lymphoma, (MF-CTCL), a form of blood cancer that is primarily manifested in the skin. At the end of the year, we had clarifying and positive discussions with the FDA regarding the design of the phase III program for MF-CTCL. One successful phase III study is expected to be sufficient to enable a marketing approval for the treatment of patients with early stage MF-CTCL. At the same time, there are strict requirements regarding the design of such a study. Medivir is now further developing the phase III design based on the clarifications from the FDA. We intend to seek a partner for the continued development and commercialization of remetinostat.

In our collaboration with Stanford University School of Medicine in California, the first patient was dosed with remetinostat in an investigator-initiated phase II study in patients with basal cell cancer in early August.

Birinapant – now in phase II following good data in phase I

Birinapant is Medivir's SMAC mimetic that is being studied for treatment in combination with MSD's anti-PD-1 treatment Keytruda® (pembrolizumab) in patients with solid tumors. In October, an interim analysis of the phase I study comprising the first 12 patients in the study was presented. The analysis showed a positive safety profile and, in addition, an interesting efficacy signal was noted. One of the patients with microsatellite-stable (MSS) colorectal cancer, a cancer form in which treatment with Keytruda® alone rarely produces effect, achieved a confirmed partial response (according to RECIST 1.1) which remained at the last evaluation. The patient remains on treatment more than one year after the start of therapy. Three additional patients have had periods of stable disease lasting up to 18 weeks after the start of treatment.

A total of 19 patients were included in the study. The recommended phase II dose was determined to 22 mg/m^2.The inclusion of the first colorectal cancer patient in the phase II part of the study took place just before Christmas.

The MIV-818 phase I study has started

MIV-818 is Medivir's nucleotide prodrug that is being developed for the treatment of liver cancer. In an ongoing phase I study, five patients have been included. The purpose of this first-in-human study is to evaluate safety, tolerability and pharmacokinetics of MIV-818 in patients with advanced cancer in the liver, a fatal disease with very few available treatment options.

MIV-828 for the treatment of blood cancer

At the end of November, we announced an exciting addition to the development portfolio as MIV-828 was chosen as a candidate drug for the treatment of acute myeloid leukemia (AML) and other forms of blood cancer.

MIV-711 – positive data from the extension study in phase II

At the end of the second quarter, we were able to present an acceptable safety and tolerability profile in our phase II extension study with MIV-711, Medivir's cathepsin K inhibitor for the treatment of osteoarthritis. Top-line results, presented at the end of July, showed that treatment with MIV-711 for a total of 12 months resulted in a continuing treatment effect on joint bone area growth and prevention of cartilage degradation. In August, the FDA published new preliminary guidance for the development of disease-modifying treatments for osteoarthritis. The FDA modified its previous approach to structural endpoints and the new guidance discuss structural impact as treatment goals in clinical studies and how it could potentially be used

for so-called "accelerated approval". Medivir continues to aim to establish a license or collaboration agreement for MIV-711.

Going forward with a high quality clinical portfolio

The clinical projects have successfully moved forward. This shows that Medivir's research and development has consistently been of high quality. However, to ensure our ability to continue to develop and benefit from the potential that lies in our clinical portfolio, we took measures that entailed announcing redundancies and reducing Medivir's preclinical research. Once again, I would like to thank our employees leaving the company for their valuable contribution to Medivir. They have worked loyally, diligently and professionally for Medivir, many for numerous years. We wish those who leave Medivir success in their future pursuits.

Medivir has now been turned into a organization with good ability to work virtually and with high flexibility. We have experience of both drug development and business development.

Medivir's increased focus on clinical development gives us a positive view of the future. I look forward to an exciting 2019.

"The most important task for Medivir is to develop and realize the value of our clinical development portfolio."

Huddinge, in March 2019

Uli Hacksell
President & CEO

Vision

Improving life for cancer patients through transformative drugs.

Medivir in brief

Medivir was founded in 1988 and has been a publicly listed since 1996 on Nasdaq Stockholm. The company has developed two pharmaceutical products, Xerclear and Olysio, all the way from idea to market launch. In the same time, the company has ventured into more than 20 partnership agreements, often with repeat partners, that together have generated more than 400 million USD in revenues to the company. Late 2018, the company focused its resources to its clinical development projects within oncology.

Our focus

Medivir develops innovative pharmaceuticals for the treatment of cancer. The focus is on cancers of high unmet medical need, where existing therapies are limited or missing, and there is a great opportunity to provide real benefit to patients. Collaborations and partnerships are important components of Medivir's business model, and the drug development as well as the commercialization process is conducted either on its own or in partnership.

Our projects

The clinical project portfolio comprises various drug development projects in different stages of clinical development. The projects are mainly within oncology but Medivir continues to aim also at establishing a license or collaboration agreement for the osteoarthritis project, MIV-711.

Business concept, business model and strategy

Business concept

Medivir is a pharmaceutical company focusing on the development and commercialization of innovative treatments for cancer. To do this efficiently and with a high success rate, we bring together a unique combination of clinical development skills, a collaborative culture and an extensive industry experience, with a balanced project portfolio.

Business model

Medivir conducts clinical development in order to on its own, or through partnerships or out-licensing agreements, bring its candidate drugs to market approval. Our specialist capabilities encompass various areas, including patent strategy, drug development, clinical trial design, regulatory affairs and business development. Medivir leverages its collaborations with academic, health care and industrial partners to bring their unique knowledge and experience to our projects.

Medivir intends to maximize the value of each project. For commercialization of a specialist drug, the company may choose to market the product on its own in certain territories, when the number of prescribers is limited. For medicines with larger patient groups and greater market potential, Medivir intends to seek commercial partners before entering phase III in order to ensure the fastest route to the market and the commercial strength needed to launch and market the product.

Strategic priorities

1 **To persevere in driving candidate drugs through clinical development in a highly efficient way**
Effectively and cross-functional drive the development of own, inlicensed or acquired candidate drugs all the way to approved therapies that meet the needs of patients and decision makers.

2 **To be a respected partner and generate revenue through partnerships**
Develop and nurture meaningful and mutually beneficial partnerships in order to accelerate the clinical development and to spread financial risks.

3 **To continuously develop an inspiring corporate culture based on business experience, professionalism, collaborative skills and creativity**
Cultivate a creative, inspiring and professional corporate culture that strengthens our ability to work more virtual.

"We have entered 2019 with a slimmed organization that has a clear focus on the exciting clinical projects."

Achieved milestones in 2018

- Positive top-line data from the phase II extension study with MIV-711 for osteoarthritis.
- An investigator-initiated clinical phase II study on patients with basal cell cancer started at Stanford University.
- Clinical phase Ia study of MIV-818 initiated in patients with advanced cancer in the liver to study safety, tolerability and pharmacokinetics.
- Positive interim data for birinapant in a study of birinapant in combination with Keytruda® in cancer patients who have already received available approved treatment options.
- The phase I study of birinapant in combination with Keytruda® was completed and the dose for the phase II study was established.
- The phase II study of birinapant in combination with Keytruda® was initiated in patients with colorectal cancer.
- MIV-828 selected as candidate drug for the treatment of blood cancer.

Expected milestones for 2019

- The phase Ia study of MIV-818 in patients with advanced cancer in the liver completed.
- Futility analysis of birinapant/Keytruda® study completed.

Words from the chairman

Medivir has two important and main tasks that are strongly correlated with each other. We want to develop treatments that can make a crucial difference for patients and we will create value for our shareholders. With this in mind, drug development does not differ from other commercial activities.

A year ago, I finished my message by emphasizing that the board and the company were determined to continue the development of our project portfolio. We can now conclude that Medivir was successful in 2018 in the development of the project portfolio. However, our share price during 2018 did not developed as well. That is why it is important to emphasize that we are convinced the measures taken during the year were important for Medivir to once again be able to build long-term shareholder value.

Medivir has undergone a revolutionary change in the latter part of 2018. I would like to give some background here by describing the reasoning and considerations that led to the changes in the company that were first presented in mid-October. Of course, the work of the board and the company's efforts have included a lot of other things during the year, but these changes are undoubtedly the most important for Medivir's future prospects.

The management and the board felt optimism at the beginning of the year. The clinical projects were developing well, and we had succeeded in creating an effective and targeted research organization. A directed new share issue brought in 155 million before transaction costs and gave the company an improved financial position. We also succeeded in ensuring that Medivir now only had one class of shares, which was requested by the investors. Furthermore, in May, the Board of Directors was strenghtened with two new experienced members. Overall, there were positive factors and we had an expectation that even the stock market would perceive them in a positive way.

At the same time, we struggled with very difficult choices in terms of how the company would best the use of financial resources. Medivir's project portfolio, in line with positive clinical results, had matured a great deal and several of the projects seemed to be able to advance into their next phases. From our own research, MIV-818 had been developed and we were about to choose another new candidate drug. The cash level was sufficient in the short term, but we realized that the company's cost base would make it difficult to develop all projects without new financing. Together with the company's management, the board worked to seek alternative ways to reverse the trend.

In the late summer we realized our options were very limited. It was too early to be able to count on any out-licensing, and several projects had to undergo further study phases before the value could be clarified. We were at this time convinced of the need to do something crucial about the situation. After an in-depth analysis, the management and board came to the conclusion that the feasible alternative that could make a decisive difference was also the most painful, namely to cut down on the preclinical research costs in favor of the development of the clinical projects. In practice, it was about ensuring the company's cash is used where it has the potential to create the highest possible value within a reasonable time.

Medivir's research has always kept a high level of quality and has previously led to two candidate drugs which later were commercialized as approved drugs. At Medivir, there were some of Sweden's most experienced medical research scientists, and through the clear focus on cancer chosen by the company, a strong expertise in oncology was also supplemented by additional recruitments. It was obviously not easy to choose to reduce this well-functioning unit.

The board decided to try to cut down the preclinical research organization and reduce the company's administration in terms of permanent employees. Medivir's CEO, Christine Lind, was involved in preparing the plans, but the board considered that this revolutionary change also required a change in leadership. The restructuring would be led by someone who possessed a long and broad experience of successfully leading a clinical research company. The Board felt that Uli Hacksell, who was a new member of Medivir´s Board, would be suitable to lead this process. Uli Hacksell has a long and qualified experience from the pharmaceutical industry, including his 15 years as CEO of the American pharmaceutical company ACADIA Pharmaceuticals.

On October 15, it was announced that Uli Hacksell took over as the new CEO and replaced Christine Lind. This was to lead the work on the focusing of the clinical development activity that the board has decided, but would also entail changes and reductions in other parts of the business. A few days later, Medivir submitted a notice covering 60 positions. Shortly thereafter, trade union negotiations began and by the end of the year, December 14, the reorganization of the business had been carried out.

Through staff redundancies, especially in preclinical research and administration, the

organization was reduced from 75 to a total of 17 employees. It was a significant change that affected many people's lives. It has of course been painful for many, but thanks to good cooperation and a solution-oriented attitude in the negotiations, the process was carried out without lengthy delays. At the same time, demand for qualified personnel in life science was – and still is – very strong. We also know today that a very large number have moved on to similar positions at other companies, to health care or to the academic world. I want to give my thanks to the commitment they have shown to Medivir.

The changes have enabled considerable resources to be redirected to Medivir's clinical projects. About two-thirds of the organization's running costs have been removed. The company has managed to direct resources where they can create the greatest value — for the development of the clinical projects. This makes a significant difference for the business going forward. Medivir has now entered 2019 as a new company with a slim and determined organization focused on its main tasks– to develop treatments that can make a decisive difference to the patients and thereby create value for our shareholders.

"The company has managed to direct resources where they can create the greatest value — for the development of the clinical projects."

Huddinge, March 2019

Anna Malm Bernsten
Chairman of the Board

Developments in the oncology sector

The traditional therapies for cancer – surgery, radiotherapy and chemotherapy – have been accompanied by a fourth form of treatment thanks to immuno-oncology. Immunological therapies use the body's own immune system to fight the cancer.

Despite important advancements, the need for new cancer therapies is still extensive

The number of new cases of cancer is expected to increase in the future as a result of the world's increasing and aging population. According to the WHO, cancer was the second largest cause of death in 2018 and was estimated to cause a total of 9.1 million deaths worldwide. Lung cancer, breast cancer, and colon cancer are the most common cancers and together they account for one third of all diagnoses and all cancer-related mortality in the world.

Despite many new approved pharmaceuticals and treatments against cancer, significant unmet patient needs still remain.

At the same time, the already high costs of cancer drugs and supportive treatments are increasing. Globally, these costs are estimated to have amounted to about USD 133 billion in 2017 and they are expected to exceed USD 150 billion by 2020. This is equivalent to an annual increase of 7.5 to 10.5 percent. The US remains the largest market for cancer drugs and accounts for 45 percent of the market.

Since 2012, 63 new oncology treatments have been approved within 78 indications for a total of 24 different tumor types. In 2018, the FDA approved 17 new cancer drugs. These new treatments include immuno-oncological drugs, a drug group that has revolutionized the treatment of certain types of cancer. Immuno-oncology is today the fastest growing segment in the cancer field. The 2018 Nobel Prize in Physiology or Medicine was given to James P. Allison and Tasuku Honjo for research that showed that cancer could be treated by activating the immune system to attack tumor cells. However, the new immuno-oncological cancer drugs that have been approved by showing clinically relevant effects on survival do not work as well on all cancers. Despite many new market-approved products and treatments for cancer, great patient needs remain.

Targeted and personalized drugs

Since a continued large proportion of the patients do not respond to existing treatments, much research is ongoing to identify approaches that can be linked to improved efficacy. Over the past 25 years, this has led to an increased development of so-called targeted drugs. Targeted cancer drugs prevent the growth and spread of cancer by blocking specific target proteins.

Focus has been placed on targeted drugs where the use of genetic markers is expected to increase the probability of tumor response. Of the 14 new active substances launched as cancer drugs in 2017, all were targeted drugs and 11 of these were granted "breakthrough designation" by the FDA. Globally, this type of treatment accounts for nearly 90 percent of the pharmaceutical industry's total late-stage clinical development portfolio in cancer.

The recognition of cancer as a highly diverse set of diseases, has contributed to increased focus on personalized drugs. This concept is today an essential part of clinical practice in oncology and an increased number of clinical trials stratify the patient groups after predictive biomarkers, which has led to improved clinical results.

Targeted drugs are central to being able to tailor cancer therapy. They affect the specific function of the body's cells — including cancer cells — that give rise to the actual disease state. By using so-called biomarkers, it is possible to better predict what effect the targeted drugs will have when treating a specific disease.

Combination treatments for better efficacy

An important principle in the cancer field is combination therapy to cure the cancer, maximize remaining life or increase quality of life. By combining several treatments that target different mechanisms in the cell cycle, an improved effect can be reached. Many of the new combination treatments contain an immuno-oncology component.

Shorter lead times for development and launch

The FDA has introduced a number of processes to contribute to shorter lead times in drug development, such as "fast track designation", "breakthrough therapy designation", "accelerated approval" and "priority review". Also at the European Medicines Agency EMA there are similar processes. Novel drug treatments can thus have the possibility to reach the cancer patients more rapidly.

Sources: WHO. Institute for Human Data Science, Global Oncology Trends 2018.

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 tumors become resistant to the body's immune responses which would otherwise cause the cancer cells to die.

As tumors grow, they can become more aggressive and begin invading surrounding tissue. Often they also spread cancer cells to other tissues, form subsidiary tumors (metastases). Treatment of cancer is hampered by the fact that when the tumor is exposed to various treatment measures, these can contribute to the rapid selection of resistant cancer cells within the tumor, which can then lead to a relapse.

What different cancers are there?

There are many different types of cancers. Traditionally, the cancers have been categorized by location (for example, lung, colon, prostate and liver cancer) and by cell type (for example, liver cell cancer, lymphoma, small cell lung cancer). The increasing use of genetic tests contributes to a clearer understanding of the type of cancer and enables patients to be treated with the most effective drug for their specific disease.

What are the main objectives of drug treatment in cancer?

The goals are primarily to cure the patient. However, it is only certain cancers that so far are possible to cure. The purpose of drug treatments for incurable cancers is therefore to extend the patient's life and / or improve the patient's quality of life during the remaining lifetime.

The pharmaceutical development process

The initial phases of pharmaceutical development can involve testing thousands of 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 phase. Additional clinical trials are sometimes carried out after approval and launch in order to optimize use.

Research and preclinical phase

Before a candidate drug is selected for clinical development it has been through a rigorous chain of studies. The initial phases of pharmaceutical development can involve testing thousands of compounds. The molecules' properties are optimized with regard to safety, efficacy and pharmacokinetics, and their potential benefits in comparison with other similar pharmaceuticals are evaluated. In the preclinical phase, the candidate drug's safety and efficacy are thoroughly evaluated in order to establish whether its safety is acceptable and allows entering into clinical trials.

Clinical phase

Clinical trials for a new pharmaceutical product involves studies or trials conducted in healthy volunteers or patients. These trials are carefully regulated by the requirements of the regulatory agencies. Before a clinical trial can begin, both the regulatory agency and ethical review boards must approve the design of the clinical trial. The 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: Usually healthy volunteers but the studies may also include patients with the disease in question, particularly in the case of drugs aimed at the treatment of cancer.

Purpose: To establish safe doses and identify possible adverse events, and to understand how the pharmaceutical is absorbed, transported round the body, and excreted. Often also to measure early indications of efficacy, possibly through the use of 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 that can provide the desired clinical effect.

Phase III

Test subjects: Patients with the disease/symptoms.

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

Market

Registration

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

Launch and sale

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

Patent and market protection

Patent protection and regulatory protection, e.g. data exclusivity, orphan drug exclusivity, and pediatric extension, are key components of pharmaceutical development.

A broad and robust project portfolio

The development portfolio comprises various pharmaceutical projects, the majority of which are conducted in-house. The proprietary projects are primarily in the oncology area, but also include a project aimed at osteoarthritis. Furthermore, one study is conducted in cooperation with a University.

PROPRIETARY PROJECTS

PROJECT / PRODUCT	DISEASE AREA	RESEARCH	PRECLINICAL	PHASE I	PHASE II	PHASE III	MARKET
Remetinostat HDAC INHIBITOR (TOPICAL)	Cutaneous T-cell lymphoma (MF) Basal cell carcinoma[1]						
Birinapant SMAC MIMETIC (COMBO WITH KEYTRUDA®) (INTRAVENOUS)	Colorectal cancer						
MIV-818 NUCLEOTIDE DNA POLYMERASE INHIBITOR (ORAL)	Liver cancer (hepatocellular carcinoma)						
MIV-828 NUCLEOTIDE DNA POLYMERASE INHIBITOR (INTRAVENOUS)	Blood cancer (acute myeloid leukemia)						
MIV-711 CATHEPSIN K INHIBITOR (ORAL)	Osteoarthritis						

Completed Ongoing

PARTNERSHIP PROJECTS

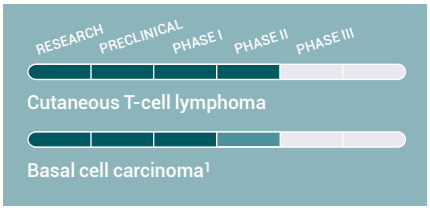
PROJECT/PRODUCT	DISEASE AREA	PRECLINICAL	PHASE I	PHASE II	PHASE III	MARKET
Xerclear In partnership with GlaxoSmithKline	Marketed as Zoviduo® for the treatment of labial herpes					
MIV-802 NUCLEOTIDE NS5B POLYMERASE INHIBITOR In partnership with Trek Therapeutics and Ascletis	Treatment of hepatitis C					

1) Conducted by Stanford University

Remetinostat

for the treatment of cutaneous T-cell lymphoma (mycosis fungoides)

MF cutaneous T-cell lymphoma (CTCL) is a rare form of blood cancer that initially is localized only in the skin. A key unmet need for patients in early-stages of MF-CTCL is treatments that have efficacy on cancerous skin lesions and also can lessen the itching, a very troublesome symptom in many patients.



Medical need and market potential

Patients may have MF-CTCL in early stage for many years. Main symptoms are skin changes and apparent itching. In addition, the risk of infection increases. Today's topical treatments have limited tolerability and the need for effective and well-tolerated treatment that can improve patients' quality of life is great. Because remetinostat is active only in the skin and is broken down when it reaches the bloodstream, the risk of side effects decreases. In the US alone, approximately 16,000 patients with MF-CTCL are in early stages.

Next step

Finetune the design for the phase III study and seek a partner for the continued development and commercialization of remetinostat for patients with MF-CTCL in the early stages.

Read more on www.medivir.com

Mycosis fungoides (MF) is the most common form of CTCL. There are approximately 16,000 MF-CTCL patients in the US and as many in Europe. The disease is more common in men than in women and most often occurs in people older than 50 years. About 75 percent of patients have the disease in early stages where the disease is limited to the skin and is not life-threatening. However, the patients experience a negative impact on the quality of life through abnormal skin changes and disease symptoms, mainly significant itching. Today's available treatments do not fully address patients' needs. Thus, there is a need for an effective and well-tolerated treatment since the early stages of the disease can last for many years.

A novel HDAC inhibitor for topical use

Medivir is developing remetinostat as a topical application for use in early stage MF-CTCL. Remetinostat is a histone deacetylase (HDAC) inhibitor. HDAC inhibitors are approved for treatment of MF-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 degrading, preventing the side effects associated with other HDAC inhibitors.

Promising data and good FDA interactions paves way for phase III in MF-CTCL

Remetinostat has in a clinical phase II study demonstrated efficacy on skin lesions, reduction of itching and high tolerability in patients with early-stage MF-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%, 8 patients out of 20). In addition, 80% 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.

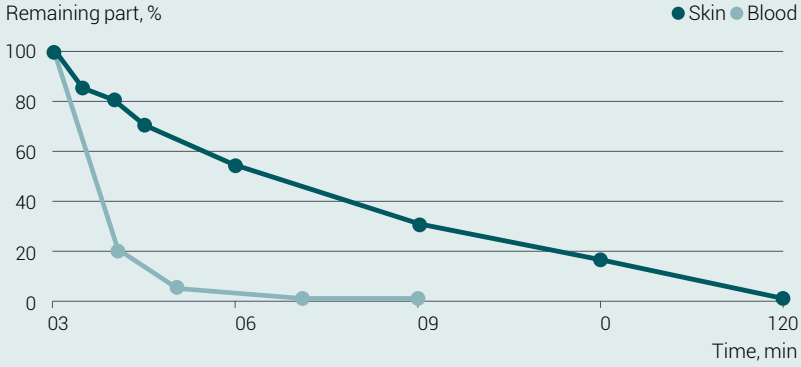
Late 2018, Medivir had clarifying and positive discussions with the FDA about the design of the phase III program for MF-CTCL. Remetinostat has already been granted Orphan Drug Designation in the US. One successful phase III study is expected to be sufficient for market approval as a treatment for patients with early-stage MF-CTCL. Medivir intends to further develop the phase III design, based on the clarifications from the FDA, and will seek a partner for the continued development and commercialization of remetinostat.

Phase II study in basal cell carcinoma

Early August 2018, the first patient with basal cell carcinoma was treated with remetinostat gel in an investigator-initiated phase II study conducted by Stanford University School of Medicine in California. Basal cell carcinoma could be another area of use for remetinostat.

1) Conducted by Stanford University

Remetinostat is an HDAC inhibitor whose unique properties make it active only on the skin and rapidly break down when it reaches the bloodstream. Other approved HDAC inhibitors are not used in patients with early stage MF-CTCL due to side effects. With remetinostat, these side effects can be avoided.



Twelve-month phase II data show effects on skin changes and decreased itching. At the same time, remetinostat was well tolerated by the patients. No systemic side effects of the type associated with previously approved HDAC inhibitors were found in the study.

Twelve-month phase II data show reduction of both skin changes and itching

Dose	1% 1x/day n=20	0.5% 2 x/daily n=20	1% 2x/daily n=20
Response on skin changes[1]	20%	25%	40%
Patients with clinical significant itching	40% n=8/20	30% n=6/20	50% n=10/20
Response on itching	38%	50%	80%

1) Confirmed responses based on CAILS (Composite Assessment of Index Lesion Severity).

Birinapant

for the treatment of solid tumors

Despite recent breakthroughs with immuno-oncology agents in cancer treatment, patients with certain types of solid tumors still have few or no options and are in need of treatments to extend life. They are thus a group for which significant medical needs remain unmet.

Solid tumors (combination with Keytruda®)

Medical need and market potential

The new immuno-oncological treatments, such as Keytruda®, have minimal effect on certain tumors, including microsatellite-stable colorectal cancer, which is the most common form of colorectal cancer. Pre-clinical studies have shown the potential to combine birinapant with immuno-oncological treatments to improve how patients respond to treatment. Colorectal cancer is the third most common form of cancer in Sweden. In 2018, 140,000 new diagnoses were estimated in the US and 490,000 in the EU. Five-year survival for metastatic disease is 14 percent.

Next step

A phase I study has been conducted of birinapant in combination with Keytruda®, and birinapant has shown a positive safety profile. Next in the development of the birinapant /Keytruda® combination is the ongoing phase II study that started December 2018 in patients with microsatellite-stable colorectal cancer who have failed to respond to any other available therapy. In this study, preliminary efficacy and safety and tolerability are evaluated. A futility analysis is planned at the end of 2019.

Read more on www.medivir.com

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 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 Keytruda®, an immuno-oncology based treatment.

A two-fold attack on tumors

Birinapant is a SMAC mimetic that in an efficient way binds to and degrades Inhibitors of Apoptosis Proteins (IAPs), causing their degradation which enables cell death (apoptosis) in tumor cells. At the same time, the immune system's response is augmented, enhancing its attack on the tumor. Through its double action, on both 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.

Combination study with Keytruda® – now in phase II

In August 2017, a clinical phase I / II study of birinapant in combination with the PD-1 inhibitor Keytruda® was initiated to clinically demonstrate the efficacy and safety of birinapant as combination treatment for patients with treatment-resistant solid tumors. The study, conducted at several clinics in the US, has an open single-arm design and has two parts. The initial dose escalation portion of the study (phase I) showed a positive safety profile and identified the recommended phase II dose of birinapant in combination with Keytruda® at 22 mg / m^2, corresponding to the highest of the four dose levels studied.

In an interim analysis of patients treated with birinapant up to and including the dose of 17 mg / m^2, one of the patients with microsatellite-stable colorectal cancer showed a confirmed partial response and the treatment continued for more than a year after it was initiated. In addition three patients achieved stable disease lasting up to 18 weeks after initiation of treatment.

The phase II part of the study was initiated in December 2018 to evaluate preliminary efficacy, as well as safety and tolerability, for birinapant in combination with Keytruda® in a patient group with colorectal cancer.

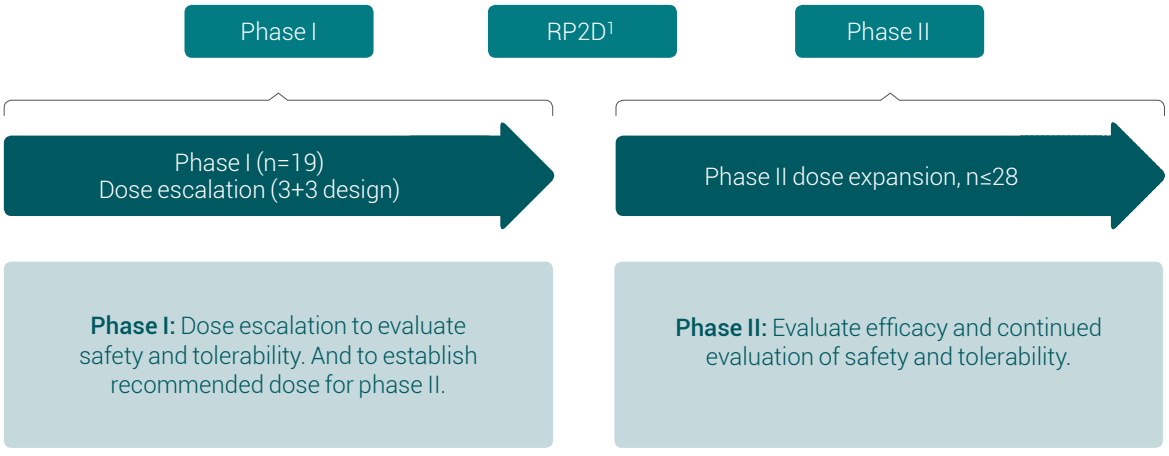
Partnership – a prerequisite

Medivir has an agreement with Merck & Co. under which Merck provides Keytruda® for the ongoing study at no cost. Merck participates on a Joint Development Committee bringing their considerable immune-oncology expertise. Medivir retains all rights to birinapant as well as the data generated in the study. In order for birinapant to be developed further in combination with an immunotherapy-based treatment, we intend to seek a partner who owns the rights to such a therapy.

Ongoing phase I/II study

In October, Medivir announced an interim analysis of the results of the first three patient groups in the phase I part of the combination study with Keytruda®. No dose-limiting toxicity was observed and of the twelve patients included in the interim analysis, one patient had a confirmed partial response, which means a reduction in tumor size by 30 percent or more.

In December, the first patient was included in the phase II part of the study, which includes patients with microsatellite-stable colorectal cancer who have failed to respond to any other available therapy. Patients receive treatment with Keytruda® and birinapant (22mg / m^2) as long as the tumor does not grow or serious side effects occur. The goal is to include 28 patients with colorectal cancer in the study and a futility analysis is planned after a maximum of 14 patients.

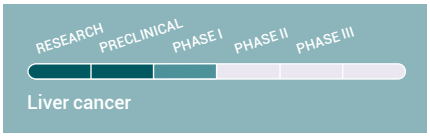


1) Recommended dose for phase II.

MIV-818

For the treatment of liver cancers

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



Medical need and market potential

Liver cancer is the third most common cause of cancer-related death worldwide. Despite existing treatments for hepatocellular carcinoma (HCC), mortality remains at a high level. There are 42,000 liver cancer patients in the US and current five-year survival is 18 percent. The generally poor prognosis for patients with HCC results in a great medical need. Intrahepatic colangiocarcinoma, or bile duct cancer, is the second most common liver tumor form. The average survival in bile duct cancer is 12 months. MIV-818 has the potential to become the first liver-targeted, orally administered drug that can help patients with HCC and other forms of liver cancer.

Next step

In October, Medivir initiated the first clinical study with MIV-818 when the first patient was dosed in a phase Ia study. The primary purpose of this study is to study the safety, tolerability and pharmacokinetics of MIV-818 in patients with advanced cancer in the liver.

Read more on www.medivir.com

Although existing treatments for liver cell carcinoma (hepatocellular carcinoma, HCC) can prolong the lives of patients, the treatment benefits are often marginal and mortality remains at a high level. Molecularly directed substances have had limited success in HCC because these tumors have specific mutations that the available substances have no effect against. The lack of overall benefit together with the generally poor prognosis for patients with HCC results in a great medical need.

Other forms of liver cancer that could be treated with MIV-818 are intrahepatic colangiocarcinoma - bile duct cancer - accounting for about 15 percent of liver cancer cases. Bile duct cancer has a poor prognosis and lacks treatments that effectively increase survival rates. Metastases in the liver from other solid tumors (mainly colorectal cancer, but also breast, ovarian and pancreatic cancer) are also a major cause of death.

MIV-818 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 Medivir's proprietary liver-targeted prodrug of troxacitabine. MIV-818 is developed as an orally administered therapeutic for the treatment of HCC and other forms of liver cancer. The intention is to maximize delivery of the drug to the liver tumor, while minimizing levels of the active substance in the rest of the body to reduce the risk of potential side effects.

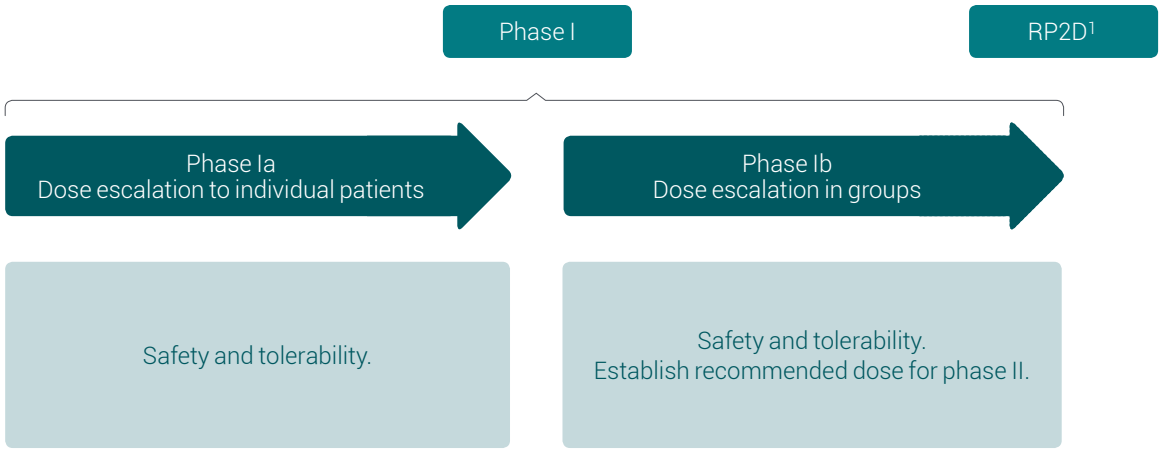
Phase I study initiated autumn 2018

In October 2018, Medivir initiated the first clinical study with MIV-818. The primary purpose of this phase Ia study is to evaluate the safety, tolerability and pharmacokinetics of MIV-818 in patients with advanced cancer in the liver.

The intention is that the data from the phase Ia part of the study should be available for analysis during the second quarter of 2019.

Ongoing phase I study

MIV-818 is a prodrug that is developed for increased efficacy, safety and tolerability in the treatment of liver cancer. MIV-818 is orally administrated and shall provide maximum delivery of the drug to the liver tumor, while minimizing levels of the active substance in the rest of the body. The goal is to achieve a strong antitumor effect and a low risk of side effects.



1) Recommended dose for phase II.

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 USA alone and an estimated 240 million worldwide.

Osteoarthritis

Medical need and market potential

Osteoarthritis is a joint disease that lacks effective treatment and around 240 million people worldwide are estimated to suffer from osteoarthritis. The number is expected to increase as a result of a growing aging population and also driven by obesity becoming an increasing problem. Today's treatments are focused only on suppressing pain. There is therefore a great need for a disease-modifying treatment that has the potential to slow down, stop or reverse the course of the disease. MIV-711 has the potential to positively affect the osteoarthritis joint by improving its bone and cartilage tissues.

Next step

Medivir continues to aim to establish a license or collaboration agreement for MIV-711.

Read more on www.medivir.com

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. 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.

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 has demonstrated that inhibition of cathepsin K can reduce the rate of joint destruction of osteoarthritis in preclinical models, and these findings have now been supported in clinical studies. 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.

Benefits on both bone and cartilage

In September 2017, Medivir presented top-line data after six months of treatment with two doses of MIV-711 in patients with moderate knee osteoarthritis. The results showed positive effects on both bone and cartilage. A further six months of treatment in a phase II extension study demonstrated an acceptable safety and tolerability profile, which was the primary objective of the study. In addition, the patient group treated with 200 mg of MIV-711 for 6 + 6 months retained the response level of the positive signals for self-reported pain as well as other clinical symptoms identified in the initial phase II study. Treatment with MIV-711 for a total of 12 months provided ongoing treatment effects on the joint bone area growth and prevention of cartilage degradation in the affected knee. In October, additional data were presented that showed disease-modifying properties in joint structures in patients with moderate knee arthritis already after 6 months, at the American College of Rheumatology (ACR).

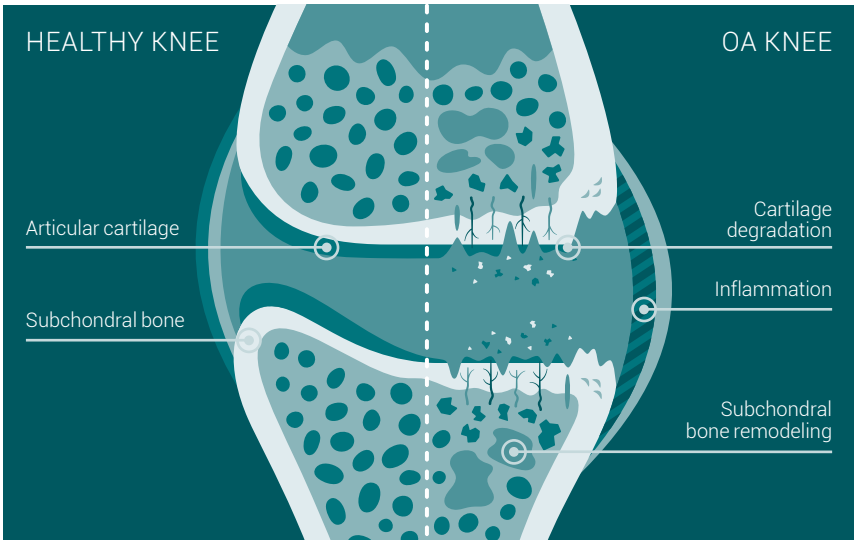
FDA takes structural effects into account

In August, the FDA published new preliminary guidance for the development of disease-modifying treatments for osteoarthritis. The FDA modified its previous approach to structural end-points and the new guidance discuss structural impact as treatment goals in clinical studies and how it could potentially be used for so-called "accelerated approval". MIV-711 has already been granted Fast Track designation as a disease-modifying agent for osteoarthritis.

Good support for the next phase

Phase II data provides good support for further clinical development of MIV-711 as a disease-modifying treatment for osteoarthritis. Medivir continues to aim to establish a license or collaboration agreement for MIV-711.

Recent scientific work suggests that two processes – increased bone turnover and cartilage degradation – are involved in the development of OA.



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.

MIV-711-201: Changes after 26 weeks of dosing compared to before treatment.

Dose	Placebo n=80	MIV-711 100 mg daily n=80	MIV-711 200 mg daily n=80
Femur bone area (mm^2)	23.2	8.1	8.2
Cartilage thickness (mm)	-0.066	0.008	-0.017

MIV-828

for the treatment of blood cancer

Acute myeloid leukemia (AML) occurs when cells in the bone marrow that are intended to develop into normal white blood cells instead become cancer cells. These cancer cells accumulate in the bone marrow and prevent the development of normal blood cells.

Blood cancer

Medical need and market potential

In Sweden, around 350 people are affected annually by AML and in the US around 20,000 people per year are diagnosed with AML. The risk of being affected increases with increasing age. The average five-year survival among patients diagnosed with AML was 27 percent during the 2007—2013 period. Patients with AML are in great need of drugs that are more effective and have better tolerability.

Next step

Next step in the development of MIV-828 is to conduct the preclinical safety studies to enable us to start the first clinical studies.

Read more on www.medivir.com

In the United States, about 20,000 people per year are estimated to be diagnosed with AML. The prognosis is poor for a large proportion of patients, as the intensive treatment currently used to treat the disease is not tolerated. The fact that patients relapse in disease after treatment is common and the remaining treatment alternatives are then limited.

In November 2018, Medivir's proprietary substance MIV-828 was selected as a candidate drug. MIV-828 is a nucleotide-based prodrug optimized for the treatment of acute myeloid leukemia (AML) and other forms of blood cancer (including myelodysplastic syndrome (MDS) and T-cell lymphoma).

MIV-828 is designed to overcome the resistance mechanisms that can inhibit the effects of other nucleoside analogues, such as cytarabine, currently used for the treatment of AML. Preclinical data indicate that MIV-828 may offer patients with AML and other blood cancers a treatment with better tolerability and efficacy. In preclinical studies, MIV-828 exhibits activity in AML with varying genetic background (mutations), which could support broad use. MIV-828 is developed to be combined with other treatments and exhibits synergistic anti-cancer activity in combination therapy in preclinical models.

Partner projects

Medivir actively cooperates with academia and industrial partners in order to 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 of the drug.

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 candidate drug in development to become a future treatment of Hepatitis C infections. Preclinical data supports that MIV-802 could be used in combination with other types of anti-viral pharmaceuticals. Trek Therapeutics has licensed the exclusive rights in a number of territories including the USA and the EU. Ascletis has the exclusive rights to develop, manufacture and commercialize MIV-802 in China, Taiwan, Hong Kong and Macao.

Partners

- Trek Therapeutics, Cambridge, US
- Ascletis Bioscience Co Ltd, a wholly-owned subsidiary of Ascletis Pharma Inc, a company based in China that is publicly listed with its shares traded on the Hong Kong stock exchange since 2018.

Project status and Medivir participation

The two respective agreements entitle Medivir to milestone payments at achieved development goals and royalty payments from the sale of products where MIV-802 is included. Trek and Ascletis will each in their respective regions pay for the development, manufacture and commercialization of MIV-802. At the beginning of this year, Ascletis announced that it had submitted the application for the first clinical trial with MIV-802 to the Chinese medical authority.

Sustainable development

Medivir's vision, to improve the life of cancer patients through transformative drugs, shows in itself that sustainability is central to the company.

Medivir's 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.

The sustainability work focuses on conducting clinical development in accordance with ethical rules and guidelines, taking into account the environmental impact of both Medivir's 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.

Medivir strives to create sustainable values by developing drugs that can give people a better and longer life.

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. 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 clinical development, Medivir employs subcontractors. This ensures that the subcontractors that can be hired in the 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 facility in Huddinge handles limited amounts of hazardous waste. Hazardous waste that cannot be recycled shall be stored, processed and disposed of in accordance with specified hazardous waste handling guidelines.

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.

Employees

Medivir's success is based on the ability to collaborate, both internally and externally.

Medivir's drug development is organized to combine cost-effectiveness, quality and flexibility. This is achieved through a small internal organization with cutting edge competence within 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.

Medivir strives 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.

Focus on oncology

With a focus on oncology and a further developed efficiency work, Medivir has in the latest two years undergone two phases of a comprehensive reorganization. First, the new structure with a clear oncology focus was launched in 2016. 2017 therefore became a year when the conversion was tested in practice in many ways. Late 2018 Medivir decided to focus its resources to the clinical development of the company's project portfolio. This meant that the organization was significantly reduced, especially within preclinical research and administration, as the company went from 75 to a total of 17 employees. This freed up considerable resources for Medivir's clinical development projects as the organization's cost base was reduced by approximately two-thirds.

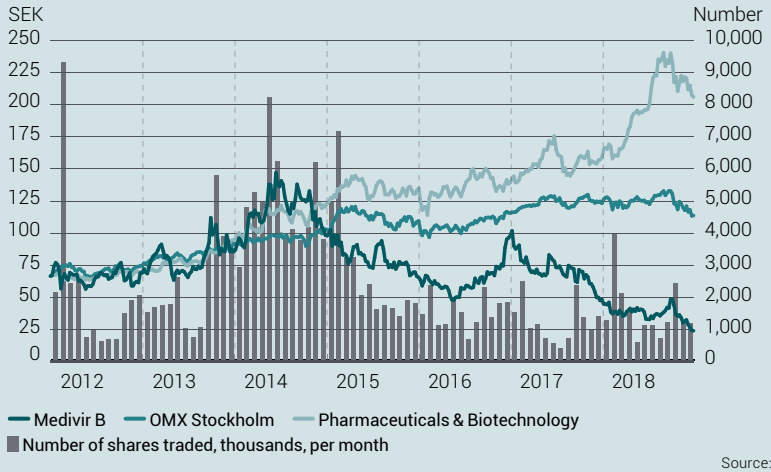
The Medivir share

Medivir's class B share has been listed on the Nasdaq Stockholm since 1996, with all trade taking place on the Small Cap list.

Share structure, earnings per share, and equity

There were a total of 24,287,818 (20,318,977) class B shares in Medivir AB at the year-end with a nominal value of SEK 8. The increase in the number of shares during the year is due to the new share issue performed by Medivir in February. The average number of shares during the year was 23,956,175 (21,963,205). All shares are equally entitled to participation in Medivir's assets and profits. The company previously also had class A shares, which carried enhanced voting rights, but these were all converted to class B shares in April 2018. The share capital at the year-end was SEK 188.5 million (157.7 m) and the equity totaled SEK 307.6 million (514.1 m).

Share price performance and turnover 2012–2018



Source: SIX Trust

Shareholders

There were a total of 8,563 (8,364) shareholders at the year-end, 1,418 (1,359) of whom held more than 1,000 shares. The fifteen biggest shareholders accounted for 45 percent (46%) of the total number of shares and votes. Foreign owners accounted for 28 percent (33%) of the total equity.

Share price performance and turnover, 2018

Medivir's share price fell by 50.4 percent, from SEK 48.30 to SEK 23.95, in 2018. Nasdaq's Stockholm All Share Index (OMXSPI) fell by 7.6 percent during the same period. Medivir's market capitalization at the end of 2018 was SEK 0.58 billion (0.98 bn), based on the closing price paid at the year-end of SEK 23.95. A total of 16,505,770 Medivir shares were traded on the Nasdaq Stockholm exchange in 2018, corresponding to a turnover rate of 0.7 percent. The average daily trading volume during the year was 66,555 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. In 2017, the Board of Directors proposed a long-term incentive plan that was approved by the 2017 Annual General Meeting. The right to subscribe was vested in all of the company's senior executives as well as other permanent employees of Medivir. Medivir's employees purchased 48,515 warrants in the second quarter of 2017 as part of this incentive plan.

The warrants were issued at a market value of SEK 9.41 with a strike price of SEK 89.36 per share. Medivir's employees purchased a further 9,320 warrants in the fourth quarter of 2017. These warrants were issued at a market price of SEK 3.98 with a strike price of SEK 89.36 per share. The combined total of 57,835 warrants can be exercised to subscribe for new class B shares during the period from 16 December 2020 to 15 January 2021, inclusive. In May 2018, the Annual General Meeting approved a new long-term incentive plan with the same structure. In the second quarter of 2018, Medivir's employees purchased 51,864 warrants with a market value of SEK 5.63 each and a strike price of SEK 52.75 per share. The warrants can be exercised to subscribe for new class B shares during the period from 16 December 2021 to 15 January 2022, inclusive. For a more detailed description, see Note 4 on pages 61 – 62

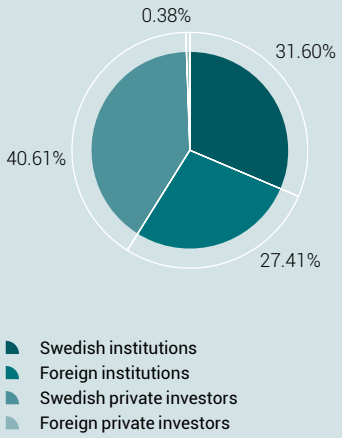
Medivir's 15 largest shareholders 31 December 2018[1]

Name	Class A Shares	Class B Shares	% of votes	% of capital
Nordea Investment Funds	0	1,892,763	7.8	7.8
Morgan Stanley & Co Intl Plc	0	1,205,790	5.0	5.0
Avanza Pension	0	1,100,982	4.5	4.5
Gladiator	0	975,000	4.0	4.0
Linc AB	0	958,283	4.0	4.0
Credit Suisse S.A	0	703,925	2.9	2.9
Hans Sköld	0	694,416	2.9	2.9
Danica Pension	0	607,710	2.5	2.5
Ålandsbanken	0	601,551	2.5	2.5
Unionen	0	600,000	2.4	2.4
Nordnet pensionsförsäkring AB	0	485,642	2.0	2.0
BNP Paribas Sec Serv Luxembourg	0	360,671	1.5	1.5
Bo Öberg	0	347,744	1.4	1.4
SEB life international assurance	0	320,000	1.3	1.3
Euroclear Bank S.A/N.V.	0	266,490	1.1	1.1
Total, 15 largest shareholders	0	**11,120,967**	**45.8**	**45.8**
Total, other shareholders	0	**13,166,851**	**54.2**	**54.2**
TOTAL	**0**	**24,287,818**	**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 who cover Medivir

Ulrik Trattner,
Carnegie Investment Bank

Peter Sehestedt,
Handelsbanken

Joachim Löchen,
Erik Penser Bank

Ingrid Gafanhao,
Kempen

Shareholder breakdown by size of holding 31 December 2018

No. of shares	No. of shareholders	No. class A shares	No. class B shares	% of capital	% of votes
1 – 500	6,308	0	732,171	3.01	3.01
501 – 1,000	837	0	660,927	2.72	2.72
1,001 – 5,000	998	0	2,251,343	9.27	9.27
5,001 – 10,000	192	0	1,437,323	5.92	5.92
10,001 – 15,000	66	0	834,086	3.43	3.43
15,001 – 20,000	45	0	817,477	3.37	3.37
20,001 –	117	0	17,554,491	72.28	72.28
Total	**8,563**	**0**	**24,287,818**	**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
2018	Conversion of class A shares to class B shares	8	–	188,494,179	–	24,287,818	24,287,818

Contents

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 2018 financial year. All figures refer to the 2018 financial year of the Group, unless otherwise indicated. Comparisons, unless otherwise indicated, are made with the 2017 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 small companies (Small Cap). For additional information, see www.medivir.se.

Medivir is a 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 project portfolio, see pages 13–23.

Significant events in 2018

The project portfolio

- Positive top-line results from the MIV-711 osteoarthritis phase II extension study.
- An investigator-initiated phase II clinical study of remetinostat in patients with basal cell carcinoma (BCC) started at Stanford University.
- Phase Ia clinical study of MIV-818 in patients with advanced liver cancer initiated to study safety, tolerability, and pharmacokinetics.
- Positive interim data for a study of birinapant in combination with Keytruda® (pembrolizumab) in cancer patients who have already received available and approved treatment alternatives.
- MIV-828 nominated as a candidate drug for the treatment of hematological cancers.
- The phase I study of birinapant in combination with Keytruda® was concluded and the dose for the phase II study determined.
- The phase II study of birinapant in combination with Keytruda® was initiated for patients with colorectal cancer.

The company

- In early February, the company made a directed share issue for ca. SEK 155 million before transaction costs.
- All class A shares were converted to class B shares.
- On 15 October, Medivir announced its plan to concentrate its activities on the clinical development of the company's candidate drugs.
- Uli Hacksell appointed as Medivir's new President & CEO.
- The reorganization as a dedicated clinical pharmaceutical development company was completed and Medivir's organization was reduced from a total of 75 employees to 17, primarily by means of redundancies within research and administration. Medivir has carried SEK 38.1 million as an expense in Q4 2018 as a result of the reorganization.

Long-term incentive plans

In 2017, the Board of Directors proposed a long-term incentive plan that was approved by the 2017 Annual General Meeting. The right to subscribe was vested in all of the company's senior executives as well as other permanent employees of Medivir. 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 subscription price (strike price) per share for all outstanding warrants shall correspond to 133% of the volume-weighted average rate of the class B share during the subscription period.

Medivir's employees purchased 48,515 warrants in the second quarter of 2017 as part of this incentive plan. The warrants were issued at a market value of SEK 9.41 with a strike price of SEK 89.36 per share. Medivir's employees purchased a further 9,320 warrants in the fourth quarter of 2017. These warrants were issued at a market value of SEK 3.98 with a strike price of SEK 89.36 per share. The combined total of 57,835 warrants can be exercised to subscribe for new class B shares during the period from 16 December 2020 to 15 January 2021, inclusive. The valuation calculation for 2017 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%; volatility, 32%.

In May 2018, the Board of Directors and the Annual General Meeting approved a new long-term incentive plan with the same structure. In the second quarter of 2018, Medivir's employees purchased 51,864 warrants with a market value of SEK 5.63 each and a strike price of SEK 52.75 per share. The warrants can be exercised to subscribe for new class B shares during the period from 16 December 2021 to 15 January 2022, inclusive. The valuation calculation for 2018 was based on the following figures: term, 3.66 years; strike price, SEK 52.75; VWAP, SEK 39.66; risk-free interest rate, –0.16%; volatility, 32%.

Significant events after the end of the financial year

In January, Medivir announced that its CFO, Erik Björk, had decided to leave the company. Lotta Ferm assumed the role as interim CFO as of March 1st. Recruitment of a permanent CFO is ongoing.

The Nomination Committee has agreed, ahead of the upcoming 2019 AGM, to propose that a new Board of Directors be appointed by means of the re-election of the Board's existing Members, namely Uli Hacksell, Lennart Hansson, Bengt Julander, Helena Levander and Bengt Westermark, and the new election of one Member, namely An van Es Johansson. The Nomination Committee proposes the election of Helena Levander as the Chairman of the Board. Anders Hallberg and Anna Malm Bernsten have declined re-election.

The Group's results and financial position

Revenues, expenses, and results

Net turnover for the period from January–December 2018 totaled SEK 23.9 million (36.6 m), corresponding to a year on year decrease of SEK 12.7 million that was attributable to the decline in royalty income from simeprevir.

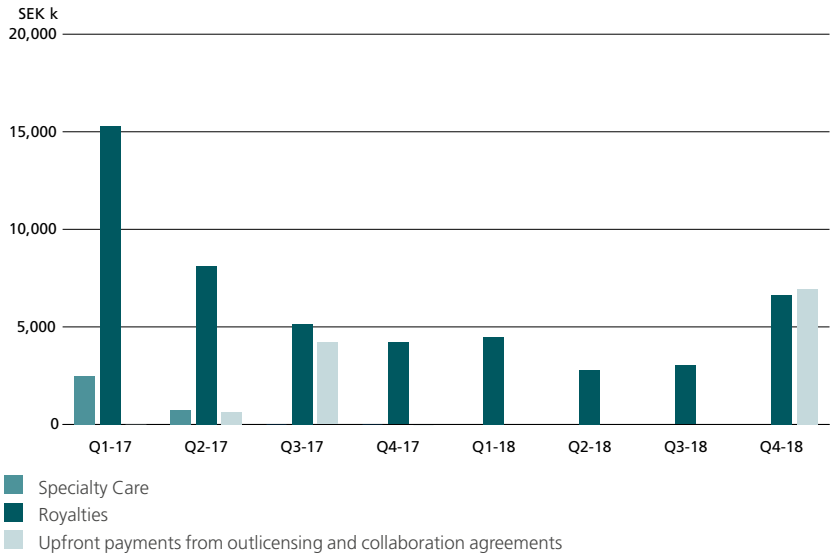
Royalty income from Janssen's sales of simeprevir and GlaxoSmithKline's sales of Xerclear (Zoviduo) during the period totaled SEK 16.9 million (32.7 m). Milestone payments totaled SEK 6.9 million (0.7 m) and derived from MIV-802. Other operating income totaled SEK 9.5 million (9.9 m) and referred, primarily, to the letting of research premises in the UK.

Other external costs during the period totaled SEK –235.1 million (–281.1 m), corresponding to a decrease of SEK 46.0 million which was primarily attributable to lower clinical project costs. Personnel costs totaled SEK –118.2 million (–104.9 m), corresponding to a year on year increase of SEK 13.3 million. The increase was mainly due to the reorganization carried out at the end of 2018. Depreciations and write-downs totaled SEK –24.5 million (–20.3 m), SEK –15.2 million of which referred to write-downs caused by the operational changes.

Net financial items totaled SEK 0.6 million (3.1 m), corresponding to a decrease of SEK 2.5 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 –353.3 million (–387.7 m), SEK –39.5 million (–20.6 m) of which comprised non-recurrent costs.

Breakdown of net turnover

SEK million	2018	2017
Upfront and milestone payments	6,925	660
Pharmaceutical sales	–	2,487
Royalties	16,938	32,744
Other services	–	748
Total	**23,863**	**36,639**



Medivir posted an operating profit of SEK –351.0 million (–362.8 m), corresponding to an improvement of SEK 11.8 million. The improvement was due to lower external costs, in spite of the restructuring costs arising during the fourth quarter. Adjusted for non-recurrent items, the operating profit was SEK –312.9 million (–342.2 m).

The tax cost for the period was SEK 0.2 million (–0.5 m). The Group's tax cost is based on a tax rate of 22%. The deficit in the Medivir AB parent company is not capitalized and hence no deferred tax is credited to the profit/loss.

The net profit/loss for the period was SEK –350.3 million (–360.2 m).

Cash flow and financial position

Cash and cash equivalents, including short-term investments with a maximum term of three months, totaled SEK 286.3 million (467.8 m), corresponding to a decrease of SEK 181.5 million. The corresponding amount at the beginning of 2018 was SEK 467.8 million (1,698.5 m).

Medivir's financial assets are, in accordance with its financial policy, invested in low-risk, interest-bearing securities.

The cash flow from operating activities totaled SEK –318.6 million (–358.5 m), with changes in working capital accounting for SEK –28.0 million (–11.6 m) of this total.

The cash flow from financing activities amounted to SEK 143.8 million (–858.6 m) and referred primarily to the directed new share issue completed during the first quarter of 2018.

Investments, depreciation and amortization

The investments in tangible and intangible fixed assets during the period were lower, year on year, and totaled SEK –6.8 million (–13.5 m).

Depreciation and amortization of tangible and intangible fixed assets during the period were charged to the profit/loss in the sum of SEK –10.3 million (–11.3 m) and SEK –14.2 million (–8.9 m), respectively, and

were largely occasioned by the reorganization in the fourth quarter of 2018.

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.

Royalty costs during the period totaled SEK 2.1 million (2.5 m).

Patents
Patent protection and regulatory protection, such as 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 inlicensed. At the end of the year, Medivir's patent portfolio comprised 36 patent families, with over 405 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.

Development
Pharmaceutical development is associated with a high level of risk. Development projects are abandoned during the process when the substances being developed prove unable to demonstrate the desired effect or display risks of unwanted side effects. Nor is Medivir the only company to be carrying out development projects in its focus areas, and competing development 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, preclinical trials and clinical trials, and the production, marketing and sale of pharmaceuticals. Even if Medivir considers its existing insurance cover to be sufficient, the extent and amount of indemnity provided by the insurance cover is limited and there is, therefore, no guarantee that Medivir will receive full recompense for any damage incurred under its existing insurance cover. There is, equally, no guarantee that suitable insurance cover can be obtained at an acceptable cost, that such insurance cover can actually be arranged, or that product liability claims or other claims will not have a significantly negative effect on Medivir's operations and financial position.

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 company might also, from time to time, need to acquire new capital via new share issues. 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 has developed 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 0.1 million (0.2 m) in royalty payments made to Uppsala Hallbechem AB (Board Member, Anders R Hallberg). 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 71 (88) employees (recalculated as full-time positions), 53% (53) of whom were women. 54 (12) 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 74 (98). Salaries, remuneration, and social security contributions totaled SEK 116,501 thousand (102,631 k) for further informa-

tion, see Note 4. For details of guidelines for remuneration to senior executives approved at the 2018 Annual General Meeting, see the Corporate Governance Report on page 39. See Note 4 with regard to remuneration disbursed to senior executives in the 2018 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 and safety

Medivir creates sustainable value through its development of drugs that contribute to giving 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 2018. For additional information on Medivir's environmental and occupational health & safety work, see page 24.

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 24.9 million (38.5 m).

The operating profit was SEK –351.1 million (–362.2 m), corresponding to an improvement of SEK 11.1 million. Operating costs totaled SEK –376.7 million (–401.9 m). Net financial items amounted to SEK 0.9 million (3.4 m), corresponding to a deterioration of SEK 2.5 million.

The tax for the period totaled SEK 0.0 million (–0.6 m). The profit for the period was SEK –351.2 million (–361.3 m), corresponding to an improvement of SEK 10.1 million.

Cash and cash equivalents, including short-term investments with a maximum term of three months, totaled SEK 275.8 million (458.7 m).

Summary of future development work

Medivir intends that its future investments will primarily be in clinical pharmaceutical projects in oncology. The company's recent restructuring will result in a significant reduction in the combined expenses after the summer of 2019. The Board of Directors and the management are of the opinion that existing cash and cash equivalents are sufficient to meet the company's needs in completing ongoing clinical activities.

Proposed treatment of non-restricted equity

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

	SEK
Share premium reserve	600,750,161
Accumulated loss	–125,205,031
Net profit for the year[1]	–362,503,191
Total	**113,041,939**

1) The net profit for the year also includes transaction costs totaling SEK 11,286 thousand.

The Board of Directors proposes that the Annual General Meeting resolve that the above amount, namely SEK 113,041,939 be carried forward.

Dividend

The Board of Directors proposes that no dividend be paid for the 2018 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 2018.

Decision-making at shareholders' meetings

Medivir's shareholders exercise their right of decision at the AGM and any EGM. See pages 26–27 for information on Medivir's share and shareholders.

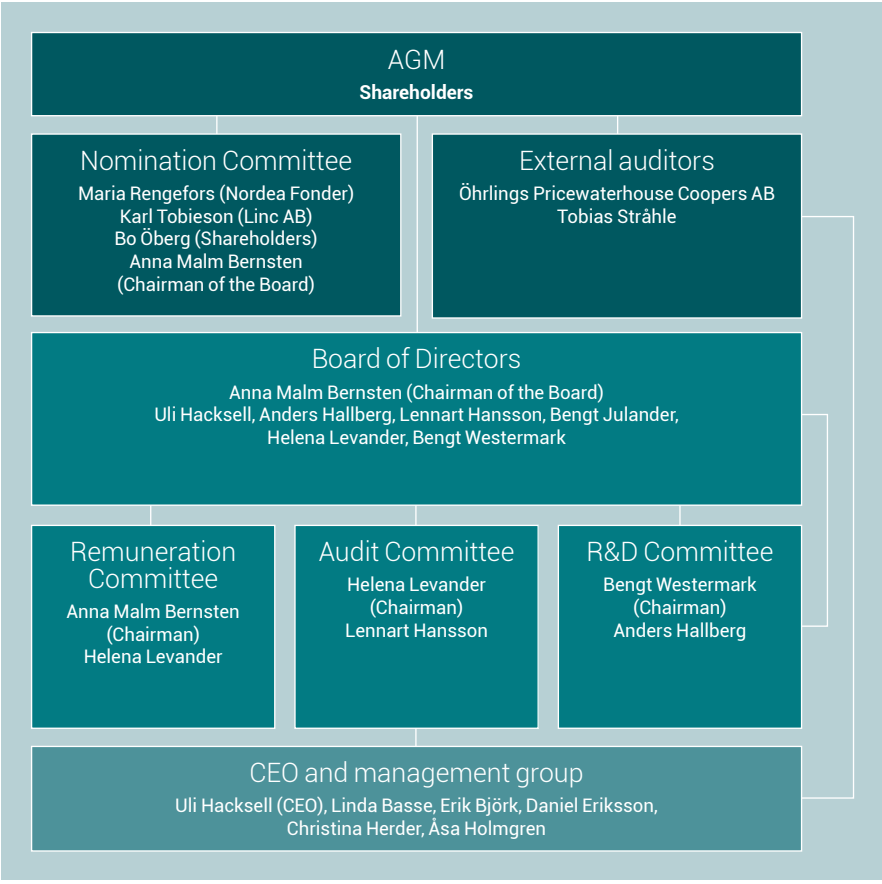
Annual General Meeting

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.

2018 AGM

The AGM was held on 3 May 2018. 53 (85) shareholders attended, either in person or through proxies, representing 27.65% (36.31) of the votes. Attorney-at-Law, Erik Sjöman, was elected Chairman of the Meeting. Matters resolved by the AGM:

- The re-election of Board Members, Anders Hallberg, Bengt Julander, Helena Levander, Anna Malm Bernsten and Bengt Westermark. The new election of two members, Uli Hacksell and Lennart Hansson. 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 2,590,000, divided as follows: the Chairman of the Board shall receive SEK 625,000, and the other Members who are not employed by the company shall each receive SEK 240,000. Remuneration for committee work shall be paid in a sum of SEK 525,000, to be divided into SEK 230,000 in respect of the Audit Committee (of which SEK 80,000 shall be paid to the convening officer and SEK 75,000 to each of the other 2 members), SEK 125,000 in respect of the Remuneration Committee (of which SEK 75,000 shall be paid to the convening officer and SEK 50,000 to one other member), and SEK 170,000 in respect of the R&D Committee (of which SEK 90,000 shall be paid to the convening officer and SEK 80,000 to one other member).
- Authorization of the Board on one or more occasions before the next AGM, with or without deviation from the shareholders' preferential rights, to approve the new issue of class B shares in a number that shall not, collectively exceed 20% of the total number of shares outstanding on the date of the General Meeting, of which no more than 10% may relate to any directed new share issue for cash payment.
- Authorization of the Board up to and including the date of the 2019 AGM, to approve a new issue of class B shares with preferential rights. The total number of shares that may be issued under this authorization shall comply with the framework limit set forth in the Articles of Association in force at that time and the shares shall be issued with preferential rights for the company's shareholders.
- Approval for the issue of warrants within the framework of incentive plans, as proposed by the Board.



The model reflects the situation as of 31 December 2018.

2019 AGM

Medivir's 2019 AGM will be held at 14.00 (CET) on 9 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. For further information, see also www.medivir.com.

Nomination Committee

The Nomination Committee procedure adopted at the 2018 AGM means that the Chairman of the Board shall contact the three biggest shareholders in terms of the number of votes at the end of the 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 2019 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 also 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 Nomination Committee had held eleven meetings by 20 March 2019. The Committee's full proposals for the 2019 AGM were published in conjunction with the issue of the notice convening the AGM.

Members of the Nomination Committee

The Nomination Committee, ahead of the 2019 AGM (appointed by the biggest shareholders in terms of the number of votes held on 29 Sept. 2018)

Name	Representing	Proportion of votes, % 30 Sept. 2018
Maria Rengefors	Nordea Fonder	8.2
Karl Tobieson	Linc AB	4.0
Bo Öberg	Shareholders	1.4
Anna Malm Bernsten	Medivir's Chairman of the Board (convenor)	0.0
Total		**13.6**

The Nomination Committee's proposal for a new Board of Directors ahead of the 2019 AGM

The composition of the 2018–2019 Nomination Committee was as follows:

- Maria Rengefors, Chairman of the Nomination Committee, and representing Nordea Fonder
- Karl Tobieson, representing Linc AB
- Bo Öberg, representing the shareholders
- Anna Malm Bernsten, Chairman of the Board of Medivir AB

The Nomination Committee has agreed, ahead of the upcoming 2019 AGM, to propose that a new Board of Directors be appointed by means of the re-election of the Board's existing Members, namely Uli Hacksell, Lennart Hansson, Bengt Julander, Helena Levander and Bengt Westermark, and the new election of one Member, namely An van Es Johansson. The Nomination Committee proposes the election of Helena Levander as the Chairman of the Board. Anders Hallberg and Anna Malm Bernsten have 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. 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 2018 AGM until the end of the 2019 AGM comprised seven 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 30% 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

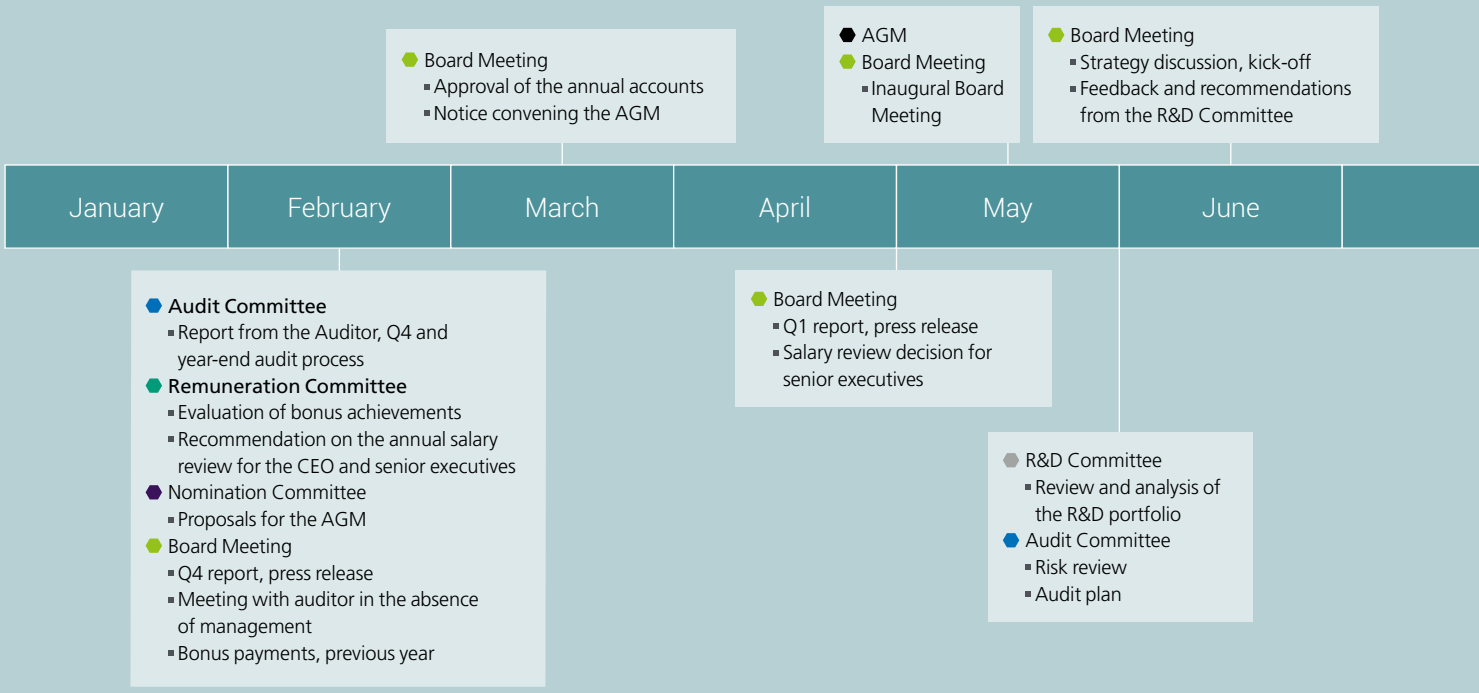
The Chairman is responsible for ensuring that the work of the Board is well-organized, conducted efficiently, and that the Board fulfills its obligations. The Chairman monitors company operations in dialogue with the CEO and is responsible for ensuring that other Board Members receive the information 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 year by means of an online questionnaire comprising ca. 50 questions in seven areas. The area receiving the highest rating was the role and competence of the Chairman, whilst scope exists for reviewing the quality of the Board material. 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 2018

The Board has held 18 minuted Meetings in 2018. 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 usually review a relevant strategic issue.

The Board's annual work

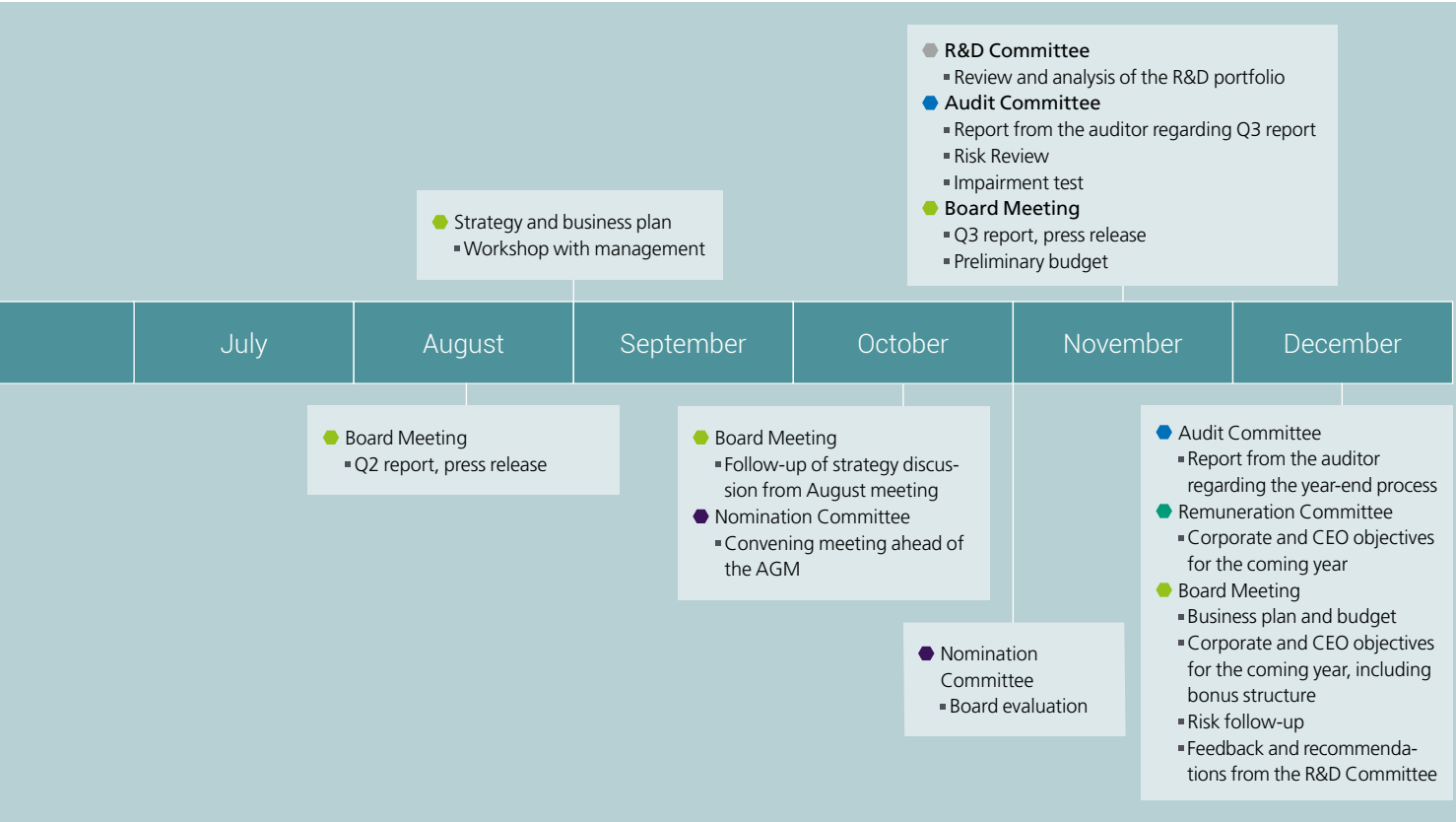


The Board of Directors' attendance and fees[1]

				PRESENT (TOTAL NUMBER OF MEETINGS)				TOTAL REMUNERATION
Members elected by the AGM	Elected	Born	Independent	Board Meetings	Remuneration Committee	Audit Committee	R&D Committee	
Anders Ekblom[2]	2014	1954	Yes	5/6		1/2		-
Uli Hacksell[3]	2018	1950	Yes	11/12				240,000
Anders Hallberg[4]	2012	1945	No[5]	18/18			2/2	320,000
Lennart Hansson[3]	2018	1956	Yes	9/12		2/3		315,000
Bengt Julander	2017	1953	Yes	18/18				240,000
Helena Levander	2015	1957	Yes	18/18	5/5	5/5		370,000
Anna Malm Bernsten, Chairman	2006	1961	Yes	18/18	5/5	1/2		700,000
Bengt Westermark	2017	1945	Yes	18/18			2/2	330,000
Members elected by the local trade union organizations								
Oscar Belda	2017	1976		17/18				
Björn Klasson	2017	1952		16/18				
Stina Lundgren	2013	1979		15/18				
Mikaela Rapp	2017	1974		16/18				

1) The table refers to fees paid to the Board of Directors during the period from May 2018 – April 2019. 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 2018 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 the actual amounts disbursed.

2) Resigned at the 2018 AGM.
3) Appointed at the 2018 AGM.
4) Royalties in accordance with preexisting agreements have, in addition to Directors' fees, been paid to Uppsala Hallbechem AB in the sum of SEK 63 k (215) for 2018.
5) Independent in relation to the company's major shareholders, but not independent in relation to the company and the company management.



Reports on the work of the Committees are also usually 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.
- Financial development and capital acquisition.
- Interim Reports, the Financial Statement, and the Annual Report.
- Collaborations and partnerships.
- CEO replacement.
- Focus on the clinical portfolio and the reorganization of the company.

Board Committees

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

The Remuneration Committee

The Committee advises the Board of Directors and has no independent right of decision. The primary duty of the 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 held five minuted meetings in 2018. The attendance of individual members is shown in the table on page 37. The Committee has also held a number of 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 management, 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 five minuted meetings in 2018. 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. 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 two-day minuted meetings in 2018. 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

Remuneration to senior executives (SEK k)

Function	Year	Fixed salary	Performance related pay	Benefits	Severance pay	Total	Pension	Total
CEO, Uli Hacksell[1]	**2018**	**486**	**0**	**0**	**0**	**486**	**0**	**486**
	2017	0	0	0	0	0	0	0
CEO, Christine Lind[2]	**2018**	**2,186**	**771**	**0**	**3,931**	**6,888**	**414**	**7,302**
	2017	2,120	699	0	0	2,819	441	3,261
Former CEO, Niklas Prager[3]	**2018**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2017	906	911	93	5,499	7,410	497	7,907
Other senior executives[4]	**2018**	**8,776**	**1,530**	**101**	**1,123**	**11,529**	**1,550**	**13,079**
	2017	7,504	1,781	155	1,402	10,842	1,330	12,172
Total	**2018**	**11,448**	**2,301**	**101**	**5,054**	**18,903**	**1,964**	**20,867**
	2017	10,531	3,390	248	6,902	21,071	2,269	23,340

1) Uli Hacksell took over as CEO on 15 October 2018.
2) Christine Lind took over as CEO on 1 April 2017 and resigned from the position on 15 October 2018.
3) Niklas Prager resigned from the position as CEO on 31 March 2017.
4) Erik Björk and Linda Basse joined the management group on 3 January and 1 October 2018, respectively.

Group management, see page 44. 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% 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 2018, 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.

In 2017, the Board of Directors proposed a long-term incentive plan that was approved by the 2017 Annual General Meeting. The right to subscribe was vested in all of the company's senior executives as well as other permanent employees of Medivir. 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 subscription price (strike price) per share for all outstanding warrants shall correspond to 133% of the volume-weighted average rate of the class B share during the subscription period.

Medivir's employees purchased 48,515 warrants in the second quarter of 2017 as part of this incentive plan. The warrants were issued at a market value of SEK 9.41 with a strike price of SEK 89.36 per share. Medivir's employees purchased a further 9,320 warrants in the fourth quarter of 2017. These warrants were issued at a market value of SEK 3.98 with a strike price of SEK 89.36 per share. The combined total of 57,835 warrants can be exercised to subscribe for new class B shares during the period from 16 December 2020 to 15 January 2021, inclusive. The valuation calculation for 2017 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%; volatility, 32%.

In May 2018, the Board of Directors and the Annual General Meeting approved a new long-term incentive plan with the same structure. In the second quarter of 2018, Medivir's employees purchased 51,864 warrants with a market value of SEK 5.63 each and a strike price of SEK 52.75 per share. The warrants can be exercised to subscribe for new class B shares during the period from 16 December 2021 to 15 January 2022, inclusive. The valuation calculation for 2018 was based on the following figures: term, 3.66 years; strike price, SEK 52.75; VWAP, SEK 39.66; risk-free interest rate, –0.16%; volatility, 32%.

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 2019 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 Nomination Committee. Auditors' fees in 2018 and 2017 are shown in the table to the left.

Audit and audit consulting costs (SEK k)

	THE GROUP	
	2018	**2017**
PwC		
Audit engagement	648	833
Auditing activities over and above audit engagement	263	198
Tax advice	–	250
Valuation services	–	–
Other services	46	52
Total, PwC	**956**	**1,333**
Other auditors		
Audit engagement	–	–
Total, other auditors	**–**	**–**
Total	**956**	**1,333**

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 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 ensure 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 on an ongoing basis.

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 attends at least one Board meeting per year and reports the 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.

Title: Chairman of the Board. Member of the Board since 2006. Chairman of the Remuneration 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 BioLamina, Cellavision, Moberg Pharma, Probi and Pågengruppen.

Shares in Medivir: 3,724 class B shares.

Uli Hacksell

Born: 1950.

Title: Member of the Board since 2018.

Education: Pharmacist and Pharm. D.

Background: Senior positions at major pharmaceutical and biotech companies for over 25 years and more than 10 years' experience as CEO of publicly held companies. As CEO of ACADIA Pharmaceuticals between 2000 and 2015, he led its development from a private start-up company to a public, multibillion dollar company. In the 1990s, he held senior positions at Astra AB, prior to which he was a Professor of Organic Chemistry at Uppsala University.

Other directorships: Chairman of the Boards of Cerecor Inc. and Adhera Therapeutics, and Member of the Boards of InDex Pharmaceuticals AB, Beactica AB and Uppsala University.

Shares in Medivir: 9,000 class B shares.

Anders Hallberg

Born: 1945.

Title: Member of the Board since 2012. Member 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 280 scientific articles, and is a co-author of a large number of granted patents. Co-founder of pharmaceutical development companies. 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.

Lennart Hansson

Born: 1956.

Title: Member of the Board since 2018. Member of the Audit Committee.

Education: Ph.D. in Genetics from Umeå University.

Background: Extensive experience in senior positions in the fields of pharmaceutical and commercial development in both biotech and pharmaceutical companies, such as KabiGen AB, Symbicom AB, AstraZeneca, and Biovitrum AB, and as CEO of Arexis AB. Responsible for Industrifonden's life sciences operations between 2008 and 2016, and currently working as a senior advisor to the fund on a consultancy basis. He has held seats on the Boards of over 30 companies and is also a co-founder of two pharmaceutical development companies.

Other directorships: Member of the Boards of InDex Pharmaceuticals AB, Calliditas Therapeutics AB and Cinclus Pharma Holding AB. Chairman of the Boards of Ignitus AB and Sixera Pharma AB.

Shares in Medivir: 10,000 class B shares.

Bengt Julander

Born: 1953.

Title: Member of the Board since 2017.

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.

Title: 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, Lannebo Fonder, Recipharm AB, Rejlers and Stendörren Fastigheter. Chairman of the Board of Ativo Finans.

Shares in Medivir: 30,250 class B shares.

Bengt Westermark

Born: 1945.

Title: Member of the Board since 2017. Chairman 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 Organisation, 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 member of several advisory groups for medical research financing.

Shares in Medivir: 6,000 class B shares.

Refers to the shareholding on 1 April 2019. See website for current holdings.

Management

Linda Basse

Born: 1956.

Title: Chief Medical Officer.

Education: Ph.D. in medicine and MD, Copenhagen University.

Employed: 2018.

Background: Former Medical Director at the Danish companies, Genmab, TopoTarget and Zealand Pharma, specialising in research and development. Medical Manager, specialising in medical marketing at Abbott Denmark. Advisor to Novo Nordisk and Nycomed Denmark.

Shares in Medivir: 0.

Warrants in Medivir: 0.

Lotta Ferm

Born: 1966.

Title: Interim Chief Financial Officer.

Education: MBA from Växjö University.

Employed: 2019.

Background: Since 2009 working with interim assignments. Most recently, three assignments in a row, as CFO for Private Equity owned companies facing transition or transformation. Prior to these roles, a broad experience in finance and business administration most notably gained as Head of Accounting & Reporting at Skanska Nya Hem, Finance Director at Lantmännen Agroetanol and BA Controller at Ikea Industries Russia.

Shares in Medivir: 0.

Warrants in Medivir: 0.

Uli Hacksell

Born: 1950.

Title: President & CEO.

Education: Pharmacist and Pharm. D.

Employed: 2018.

Background: Senior positions at major pharmaceutical and biotech companies for over 25 years and more than 10 years' experience as CEO of publicly held companies. As CEO of ACADIA Pharmaceuticals between 2000 and 2015, he led its development from a private start-up company to a public, multibillion dollar company. In the 1990s, he held senior positions at Astra AB, prior to which he was a Professor of Organic Chemistry at Uppsala University. Also Chairman of the Boards of Cerecor Inc. and Adhera Therapeutics. Member of the Boards of InDex Pharmaceuticals AB, Beactica AB and Uppsala University.

Shares in Medivir: 9,000 class B shares.

Warrants in Medivir: 0.

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.

Employed: 2017.

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: 4,630.

Refers to the shareholding on 1 April 2019. See website for current holdings.

Financial reports

Income Statements

Summary of the Group's Income Statement, SEK k	NOTE	THE GROUP 2018	THE GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Net turnover	1, 2	23,863	36,639	24,925	38,480
Other operating income		9,446	9,878	703	1,225
Total income		**33,309**	**46,517**	**25,629**	**39,706**
Merchandise		–	–1,674	–	–1,674
Other external expenses	3, 5	–235,129	–281,112	–227,247	–273,677
Personnel costs	4	–118,177	–104,898	–118,413	–104,898
Depreciation and write-downs	12, 13	–24,532	–20,255	–24,532	–20,255
Other operating expenses		–6,501	–1,412	–6,501	–1,412
Operating profit/loss		**–351,030**	**–362,835**	**–351,065**	**–362,211**
Profit/loss from participations in Group companies	6	–	–	–1,092	–1,932
Interest income and similar profit/loss items	8	2,551	7,339	2,916	7,662
Interest expenses and similar profit/loss items	9	–1,996	–4,233	–1,996	–4,233
Profit/loss after financial items		**–350,475**	**–359,729**	**–351,237**	**–360,714**
Appropriations		–	–	–	–
Tax	10	161	–,490	20	–628
Net profit/loss for the year		**–350,314**	**–360,218**	**–351,217**	**–361,342**
Net profit/loss for the year attributable to:					
Parent Company shareholders		–350,314	–360,218	–351,217	–361,342
Earnings per share, calculated from the profit/loss attributable to: Parent Company shareholders during the year					
Earnings per share (SEK per share)	11				
Total operations, basic earnings		–14.62	–16.40		
Total operations, diluted earnings		–14.62	–16.40		
Average number of shares, '000		23,956	21,963		
Average number of shares after dilution, '000		23,956	22,021		
Number of shares at the year-end, '000		24,288	20,308		

– = not applicable

Statement of Comprehensive Income

	THE GROUP		PARENT COMPANY	
Consolidated Statement of Comprehensive Income, SEK k	**2018**	**2017**	**2018**	**2017**
Net profit/loss for the year	**–350,314**	**–360,218**	**–351,217**	**–361,342**
Other comprehensive income				
Items that may be reclassified in the Income Statement	–	–	–	–
Translation differences	–439	41	–	–
Total other comprehensive income	**–439**	**41**	**–**	**–**
Total comprehensive income for the year	**–350,753**	**–360,177**	**–351,217**	**–361,342**

– = not applicable

Balance Sheets

		THE GROUP		PARENT COMPANY	
SEK k	**NOTE**	**31 Dec. 2018**	**31 Dec. 2017**	**31 Dec. 2018**	**31 Dec. 2017**
ASSETS					
Fixed assets					
Intangible fixed assets					
Capitalized expenditure for research and development work		96,774	97,207	96,774	97,207
Product rights		–	–	–	–
Other intangible assets		111	15,534	111	15,534
Total intangible fixed assets	12	**96,885**	**112,742**	**96,885**	**112,742**
Tangible fixed assets					
Buildings and land		340	471	340	471
Equipment, tools, fixtures and fittings		10,488	13,966	10,488	13,966
Total tangible fixed assets	13	**10,828**	**14,436**	**10,828**	**14,436**
Financial fixed assets					
Participations in Group companies	14	–	–	100	100
investments at fair value in the income statement	7, 15	–	–	–	–
Deferred tax receivable	10	–	–	–	–
Total financial fixed assets		**–**	**–**	**100**	**100**
Total fixed assets		**107,713**	**127,178**	**107,813**	**127,278**
Current assets					
Inventories		**–**	**–**	**–**	**–**
Current receivables					
Accounts receivable	7	160	536	204	536
Receivables from Group companies	2	–	–	23,269	24,416
Tax receivables		3,629	6,481	3,624	6,476
Other receivables		1,750	2,057	1,750	2,057
Prepaid expenses and accrued income	16	19,820	12,139	17,930	10,297
Total current receivables		**25,358**	**21,213**	**46,777**	**43,782**
Short-term investments					
Other short-term investments	7, 17	239,106	409,215	239,106	409,215
Cash and bank balances	7, 17	47,175	58,565	36,740	49,448
Total short-term investments		**286,282**	**467,780**	**275,847**	**458,663**
Total current assets		**311,640**	**488,992**	**322,624**	**502,445**
TOTAL ASSETS		**419,352**	**616,171**	**430,436**	**629,723**

– = not applicable

Balance Sheets

		THE GROUP		PARENT COMPANY	
SEK k	**NOTE**	**31 Dec. 2018**	**31 Dec. 2017**	**31 Dec. 2018**	**31 Dec. 2017**
EQUITY AND LIABILITIES					
Equity, the Medivir Group					
Share capital		188,494	157,693	–	–
Other capital contributed		420,208	295,933	–	–
Exchange rate difference		–3,501	–3,062	–	–
Accumulated profit/loss		–297,595	63,494	–	–
Total equity, the Medivir Group		**307,606**	**514,057**	**–**	**–**
Equity, Medivir AB					
Restricted equity					
Share capital		–	–	188,494	157,693
Statutory reserve		–	–	–	–
Total restricted equity		**–**	**–**	**188,494**	**157,693**
Non-restricted equity					
Share premium reserve		–	–	600,750	476,767
Accumulated profit/loss		–	–	–125,205	237,806
Net profit/loss for the year		–	–	–362,503	–363,011
Total non-restricted equity	25	**–**	**–**	**113,042**	**351,562**
Total equity, Medivir AB		**–**	**–**	**301,536**	**509,255**
Untaxed reserves		**–**	**–**	**–**	**–**
Provisions					
Deferred tax liability	10	–	–	–	–
Other provisions	18	–	–	37,669	7,057
Total provisions		–	–	**37,669**	**7,057**
Long-term liabilities					
Deferred tax liability	10	–	–	–	–
Other provisions	18	**14,763**			
Total long-term liabilities		**14,763**	**–**	**–**	**–**
Current liabilities					
Accounts payable	7	16,335	33,740	16,329	33,735
Liabilities to Group companies	2	–	–	21,308	22,806
Provisions	18	22,906	7,057		–
Other liabilities		5,035	5,467	4,630	5,394
Accrued expenses and deferred income	19	52,707	55,849	48,964	51,477
Total current liabilities		**96,983**	**102,113**	**91,231**	**113,411**
Total equity and liabilities		**419,352**	**616,171**	**430,436**	**629,723**

Pledged assets are reported in Note 20, and Undertakings and Contingent Liabilities in Note 21.

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 2017	**157,159**	**1,153,475**	**–3,103**	**425,381**	**1,732,912**	**26,966,037[1]**
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	–	–	–	
Closing balance, 31 December 2017	**157,693**	**295,933**	**–3,062**	**63,494**	**514,057**	**20,318,977[2]**
Opening balance, 1 January 2018	**157,693**	**295,933**	**–3,062**	**63,494**	**514,057**	**20,318·977[3]**
Net profit/loss for the year	–	–	–	–350,314	–350,314	–
Exchange rate differences	–	–	–439	–	–439	–
Total comprehensive income for the period	**–**	**–**	**–439**	**–350,314**	**–350,753**	**–**
New share issue	30,802	123,983	–	–	154,785	3,968,841
Warrants to subscribe	–	292	–	–	292	
Transaction costs	–	–	–	–10,775	–10,775	
Closing balance, 31 December 2018	**188,494**	**420,208**	**–3,501**	**–297,595**	**307,606**	**24,287,818[4]**

1) 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).
2) 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).
3) Opening number of shares in 2018: 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).
4) Closing number of shares in 2018: 0 class A shares and 24,287,818 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 profit/loss	Net profit/loss for the year	Total equity	Number of shares
Opening balance, 1 January 2017	**157,159**	**0**	**1,334,772**	**–168,494**	**406,300**	**1,729,736**	**26,966,037[1]**
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[2]**
Opening balance, 1 January 2018	**157,693**	**–**	**476,767**	**237,806**	**–363,011**	**509,255**	**20,318,977[3]**
Appropriation of profits:							
Profit/loss for the previous year brought forward	–	–	–	–363,011	363,011	–	–
Net profit/loss for the year	–	–	–	–	–351,217	–351,217	–
New share issue	30,802		123,983	–	–	154,785	3,968,841
Transaction costs			–	–	–11,286	–11,286	–
Closing balance, 31 December 2018	**188,494**	**–**	**600,750,2**	**–125,205**	**–362,503**	**301,536**	**24,287,818[4]**

1) 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).
2) 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).
3) Opening number of shares in 2018: 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).
4) Closing number of shares in 2018: 0 class A shares and 24,287,818 class B shares, nominal value: SEK 8 (of which 11,413 class B shares held by the company).

The nominal value has been calculated as the share capital divided by the total number of shares.
Proposed dividend for 2018: SEK 0 per share.

Statements of Cash Flow

		THE GROUP		PARENT COMPANY	
Total operations, SEK k	**NOTE**	**2018**	**2017**	**2018**	**2017**
Operating activities					
Profit/loss after financial items		–350,475	–359,729	–351,237	–360,714
Adjustment for non-cash items	22	56,887	6,684	56,066	8,609
		–293,588	**–353,045**	**–295,171**	**–352,105**
Tax paid		2,987	6,166	2,846	5,025
Cash flow from operating activities before changes in working capital		**–290,601**	**–346,880**	**–292,325**	**–347,080**
Cash flow from changes in working capital					
Increase (–)/decrease (+) in inventories		–	432	–	432
Increase (–)/decrease (+) in current receivables		–6,958	40,896	–4,998	38,386
Increase (+)/decrease (–) in current liabilities		–21,071	–52,928	–22,153	–52,917
Cash flow from operating activities	22	**–318,630**	**–358,480**	**–319,476**	**–361,178**
Investing activities					
Sale of intangible fixed assets		–	–	–	–
Acquisition of intangible fixed assets		–	–12,938	–	–12,938
Acquisition of tangible fixed assets		–6,838	–610	–6,838	–610
Sale of tangible fixed assets		–	–	–	–
Divestment of/reduction in financial assets		–	–	–	–
Cash flow from investing activities	22	**–6,838**	**–13,548**	**–6,838**	**–13,548**
Financing activities					
New share issue		154,785	–	154,785	–
Redemption plan		–	–857,471	–	–857,471
Warrants issue		292	494	–	–
Transaction costs		–11,286	–1,669	–11,286	–1,669
Cash flow from financing activities	22	**143,790**	**–858,646**	**143,498**	**–859,140**
Cash flow for the year		**–181,678**	**–1,230,674**	**–182,816**	**–1,233,866**
Cash and cash equivalents at the beginning of the year		467,780	1,698,481	458,663	1,692,528
Exchange rate differences, cash and cash equivalents		180	–27	–	–
Cash and cash equivalents at the end of the year	17	**286,282**	**467,780**	**275,847**	**458,663**

– = 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 2018, 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 amended standards applied by the Group from 1 January 2018

None of the new or amended standards that have come into force and which apply to the 2018 financial year, have had any impact on Medivir's consolidated accounting. 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.

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 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 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. The transition to a forward-looking credit provision model has also had no transitional effect on Medivir.

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. An exemption to the primary principle for variable remuneration does, however, exist for royalty revenues. Royalties received based on the licensee's sales are reported when this sale occurs and the date when royalties are reported will, therefore, not change from the approach used under previously applied principles.

New and amended standards applied by the Group from 1 January 2019

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 excep-

tions, 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. IFRS 16 will be applied from January 2019. Medivir has chosen to implement the simplified transition method with regard to IFRS 16. This will not entail a recalculation of the figures for 2018 for Medivir; rather, the opening balance for 2019 will be adjusted and additional information provided explaining the difference between the closing balance in 2018 and the opening balance in 2019. The Group has, at the beginning of the year, an estimated leasing liability of SEK 97.7 m, which primarily comprises the rental cost of a property in the UK that is sublet, and a property in Huddinge, where Medivir's operations are conducted. Medivir will, as of 1 January 2019, report assets at the same value as leasing liabilities and there will consequently be no effect on equity in conjunction with the transition. 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. The Parent Company will use the exception set forth in RFR 2 in order not to report leasing in accordance with IFRS 16; rather the company will, in 2019 and thereafter, continue to apply the same principles as those applied in 2018.

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 intra-group receivables and liabilities and of intra-group income and expenses between Group companies and the Consolidated Income Statement and the Consolidated Balance Sheet are consequently reported without intra-group 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 item 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

In 2017, Medivir began to apply 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 in 2017 comprised 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.

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

Financial instruments, 2017
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 OMX 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.

In previous years, up to and including 2017, provisioning for the impairment of accounts receivable was effected when there was 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.

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.

Financial instruments, 2018
Medivir has, as of 1 January 2018, divided its financial instruments into the following categories, in accordance with IFRS 9: amortized cost, and fair value through profit or loss. The classification for interest-bearing assets is based on the nature of the assets' cash flow and business model. Investments in equity instruments shall be valued at fair value under IFRS 9. Medivir has elected to report the change in value of such instruments via profit or loss.

Financial assets valued at fair value via profit or loss
Investments in fixed income funds are valued at fair value via profit or loss as the Group's business model entails managing the funds on the basis of increase in value and to realize profits or losses continuously through the divestment of parts of the investments. Equity instruments, which the Group has elected to report at fair value via profit or loss, are also included in this category. A profit or loss on a financial asset that is reported at fair value via profit or loss is reported net in the Income Statement for the period in which the profit or loss arises.

Financial assets valued at amortized cost
Interest-bearing assets (debt instruments) held in order to encash contractual cash flows, and where these cash flows solely comprise capital sums and interest, are valued at amortized cost. The reported value of these assets is adjusted for any anticipated credit losses (see Impairment testing section below). Interest income from these financial assets is reported using the effective interest method and is reported as financial income. The Group's financial assets valued at amortized cost comprise accounts receivable and cash and bank balances.

Financial liabilities valued at amortized cost
The Group's financial liabilities are classified as valued at amortized cost using the effective interest method. Financial liabilities valued at amortized cost comprise accounts payable and other liabilities. Liabilities are initially reported at fair value, net after transaction costs. Liabilities are subsequently reported at amortized cost and any difference between the amount received (net after transaction costs) and the repayment amount are reported in the Statement of Comprehensive Income over the loan period, using the effective interest method. Borrowing is classified as short-term in the Balance Sheet if the company does not have an unconditional right to postpone settlement of the debt for at least twelve months after the end of the reporting period. Dividends paid are reported as a liability after the approval by the AGM of the dividend payment. Accounts payable and other operating expenses have a short anticipated term and are valued without discounting at nominal amounts.

Impairment testing for financial assets
The Group assesses future anticipated credit losses in connection with assets reported at amortized cost, based on forward-looking information, in conjunction with the preparation of every financial report. The Group's financial assets for which anticipated credit losses are assessed comprise, in every significant respect, accounts receivable and other receivables. The Group applies the simplified approach for credit provision, i.e. the provision will correspond to the anticipated loss throughout the lifespan of the account receivable.

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 and 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 judgment 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, less selling expenses, and its value in use. The term, value in use, refers to the

sum of the present value of expected future cash flows and the estimated residual value at the end of the useful life. When calculating the value in use, future cash flows are discounted at an interest rate that takes into account the market's assessment of risk-free interest and risk. In the Group, the calculation is based on results achieved, forecasts and business plans. When conducting impairment testing, assets are grouped together at the lowest levels at which there are separate, identifiable cash flows (cash-generating units). Intangible assets that are not in use are not 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.

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 23. 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, 2017

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 judgment 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 judgment 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 judgment 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.

Revenue recognition principles, 2018

Out-licensing and collaboration agreements

Remuneration may, in the context of out-licensing and collaboration agreements, be payable in the form of upfront fees when the agreement is entered into, milestone payments, payments during the term of the agreement for a number of full-time equivalent research positions (FTEs), and/or royalties. Revenues from agreements with Medivir's partners in the research projects are recognized when Medivir's various discrete undertakings under the terms of the contract are fulfilled. When Medivir becomes a party to an agreement, it is analyzed in order to determine the number of discrete performance undertakings it contains. The remuneration received or which will be received under the terms of the agreement, the transaction price, are spread over each discrete undertaking on the basis of the respective undertaking's relative share of the estimated independent retail price of the undertakings. The allocated amount is subsequently recognized when the undertaking is fulfilled. See below for details of the way in which the various component elements are reported in Medivir's accounts.

Performance undertakings

The agreements often include remuneration for the use of Medivir's incorporeal rights that are licensed to the counterparty and remuneration for research work carried out by Medivir.

These undertakings are analyzed to determine whether they constitute discrete performance undertakings that shall be reported individually or whether they shall be regarded as a single undertaking. The license is deemed to comprise a separate undertaking in those cases where the license can be used without associated consultancy services from Medivir.

Reporting of discrete licenses

Licenses identified as separate performance undertakings are classified either as "right to access" or "right to use". A "right to access" license entails the right to access Medivir's rights as found during the licensing period, i.e. the IP right changes and Medivir conducts operations which have a material effect on the intangible asset to which the customer has a right. A "right to use" license entails the right to use Medivir's IP right as found at the time when the license is granted. Right to access licenses are reported over time, i.e. over the period of time during which the customer is entitled to use the license, while right to use licenses are reported at a given point in time, i.e. at the point in time when the customer gains control over the license. Discrete licenses are usually classified as "right to use" licenses because the research positions that could affect the value and benefit of the license are reported separately as a discrete performance undertaking.

In cases where Medivir receives an upfront payment when the agreement is entered into, it is allocated partly, as described above, to the licensing undertaking, and partly to the research positions. The part allocated to the license is recognized when the counterparty has obtained control over the license. Additional potential remunerations, i.e. variable payments that depend on certain milestones being achieved in the course of future performances in the context of pharmaceutical development, are not recognized until it is adjudged very probable that a significant reversal of accumulated revenues will not occur when uncertainty ceases to exist with regard to milestone achievement. This point in time is deemed to occur only when achievement of the milestone has been confirmed by the counterparty. A counterparty can also compensate Medivir for the use of an IP right by means of the payment of royalties on the future sales of a pharmaceutical based on the IP right. Revenues for sales-based royalties guaranteed in return for an IP license are only recognized when the subsequent sale is made.

Reporting of discrete research positions

The percentage of the agreement's transaction price allocated to the undertaking to provide research positions is recognized over time based on the degree of fulfillment of the undertaking. Variable remuneration for the positions that may also be payable, depending on milestones in a project being reached, are recognized in the manner described above. Variable income is recognized when uncertainty ceases to exist with regard to whether the milestone will be reached. This point in time is deemed to occur only when achievement of the milestone has been confirmed by the counterparty.

Reporting when Licensing and research positions comprise an undertaking

If the license is not distinct from the research positions which the customer shall receive in connection with the license, the license and consultancy positions are reported as a combined performance undertaking. An assessment is performed as to whether revenues for the combined performance undertaking shall be reported at a single point in time or over time, depending on when control over both the license and the consultancy services have been transferred to the customer. If the license that forms part of the combined performance undertaking is deemed to constitute the dominant element, relative to the research positions, the "right to access" and "right to use" criteria are applied – see above under discrete licenses – in order to determine when the customer obtains control over the combined undertaking and thereby to determine when the point in time for revenue recognition occurs. If the license is not deemed to constitute the dominant element of the combined undertaking, the revenue is recognized over the period of time during which the research positions are provided. Additional potential remuneration based on milestone achievement is recognized using the principles described

above. Royalties from the counterparty's use of the license in a finished pharmaceutical product are recognized in accordance with the principle described above.

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. Leasing 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 liabilities 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 2018, Alecta's surplus in the form of the collective consolidation ratio was preliminarily calculated by Alecta at 142% (154). 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 2019 are estimated at SEK 2,489 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's right of disposal over these incorporeal rights entail payments 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 uncertainty with regard to the outcome has ceased and Medivir is entitled to receive remuneration from a counterparty, the principles described above in the section entitled "Revenues" are applied.

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 judgments

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 judgments 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' judgment of the future utilization of the consolidated accumulated deficits within the foreseeable future. A revised judgment 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	**2018**	**2017**	**2018**	**2017**
Breakdown of net sales				
Out-licensing and collaboration agreements				
Non-recurrent payments	6,925	660	6,925	660
Research collaborations	–	–	–	–
Pharmaceutical sales	–	2,487	–	2,487
Royalties	16,938	32,744	16,938	32,744
Other services	–	748	1,063	2,590
Total	**23,863**	**36,639**	**24,925**	**38,480**
Geographic breakdown of net sales				
Sweden	570	3,241	1,632	3,241
Nordic region, other	805	1,303	805	1,303
Europe, other	13,345	15,703	13,345	15,703
USA	352	9,981	352	9,981
Rest of the world	8,791	6,411	8,791	6,411
Total	**23,863**	**36,639**	**24,925**	**36,639**
External customers who account for more than 10% of net sales (SEK k)				
Customer #1	8,921	28,250	8,921	28,250
Customer #2	8,016	4,494	8,016	4,494
Customer #3	6,925	–	6,925	–

The Parent Company's sales to Group companies totaled SEK 1,063 thousand (1,841 k). Purchases from Group companies totaled SEK 0 thousand (0). The Other services item refers to management fees invoiced to subsidiary companies by the Parent Company.

02 Intra-Group transactions

The Parent Company

Intra-Group sales totaled SEK 1,063 thousand (1,841 k). Intra-Group purchases totaled SEK 0 thousand (0). A receivable between Medivir AB and Tetrologic Shape UK Lth and Tetralogic Birinapant UK Lth totaling SEK 0 thousand (1,932 k), and a liability totaling SEK 0 thousand (1,952 k), existed at the year-end.

03 Audit costs and audit consulting

Remuneration paid to the statutory audit firm and its network by the Medivir Group in 2018 totaled SEK 956 thousand (1,333 k), of which SEK 956 thousand (1,333 k) was paid to the statutory audit firm, Öhrlings PricewaterhouseCoopers AB, which sum can be broken down into the following categories:

The Group

The cost of audit engagements for Medivir by the audit firm and its network totaled SEK 648 thousand (833 k) in 2018, of which SEK 648 thousand (833 k) was paid to the audit firm.

Other statutory engagements on behalf of Medivir by the statutory audit firm and its network in 2018 cost a total of SEK 263 thousand (198 k), SEK 263 thousand (198 k) of which was paid to the audit firm.

Tax advice for Medivir provided by the audit firm and its network in 2018 cost SEK 0 thousand (250 k), SEK 0 thousand (250 k) of which was paid to the audit firm.

Valuation services provided for Medivir by the audit firm and its network in 2018 cost SEK 0 thousand (0), SEK 0 thousand (0) of which was paid to the audit firm.

Other services provided for Medivir by the audit firm and its network in 2018 have cost SEK 46 thousand (52 k), SEK 46 thousand (52 k) of which was paid to the audit firm.

The Parent Company

The cost of audit engagements for Medivir by the audit firm and its network totaled SEK 648 thousand (846 k) in 2018, SEK 648 thousand (846 k) of which was paid to the audit firm.

Other statutory engagements on behalf of Medivir by the audit firm and its network in 2018 cost a total of SEK 263 thousand (178 k), SEK 263 thousand (178 k) of which was paid to the audit firm.

Tax advice provided for Medivir by the audit firm and its network in 2018 cost SEK 0 thousand (250 k), SEK 250 thousand (250 k) of which was paid to the audit firm.

Valuation services provided for Medivir by the audit firm and its network in 2018 cost SEK 0 thousand (0), SEK 0 thousand (0) of which was paid to the audit firm.

Other services provided for Medivir by the audit firm and its network in 2018 cost SEK 46 thousand (52 k), SEK 46 thousand (52 k) of which was paid to the audit firm.

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

	THE GROUP			
	2018		2017	
Average number of employees	**Women**	**Men**	**Women**	**Men**
Sweden	40	33	51	45
UK	–	1	–	1
Denmark	–	–	1	–
Norway	–	–	–	–
Finland	–	–	–	–
Total	**40**	**34**	**52**	**46**

	THE GROUP	
Salaries, remuneration, social security contributions, and pension costs, SEK k[1–5]	**2018**	**2017**
Salaries and remuneration		
Niklas Prager (CEO until 31 March 2017)[2]	–	7,410
Christine Lind (CEO from 1 April 2017 until 15 Oct. 2018)	6,888	2,819
Uli Hacksell (Member of the Board from 3 May 2018 and CEO from 15 Oct. 2018)	606	
Anna Malm Bernsten (Chairman of the Board from 3 May 2016)[3]	1,043	882
Anders Ekblom (Member of the Board from 8 May 2014 until 3 May 2018)	193	385
Lennart Hansson (Member of the Board from 3 May 2018)	158	–
Anders R Hallberg (Member of the Board)	330	330
Helena Levander (Member of the Board)	370	370
Bengt Julander (Member of the Board from 3 May 2017)	280	160
Bengt Westermark (Member of the Board from 3 May 2017)	325	160
Johan Harmenberg (Member of the Board until 3 May 2017)		160
Thomas Axelsson (Member of the Board until 3 May 2017)		153
Total, Board of Directors and CEO[3]	**10,193**	**12,828**
Other senior executives	11,529	10,842
Other employees[4–5]	62,596	44,037
Salaries and remuneration, total	**84,318**	**67,708**
Statutory and contractual social security contributions	**20,866**	**22,845**
Pension costs		
Of which: SEK 414 thousand (SEK 938 k) for the CEO	**11,317**	**12,078**
Total salaries, remuneration, social security contributions, and pension costs	**116,501**	**102,631**

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) Severance pay paid in 2017 and 2018 but booked in 2017.
3) Director's fees and consultancy work carried out on behalf of Medivir.
4) In 2018 remuneration totaling SEK 3,098 thousand (27,093 k) that was carried as an expense in 2016 to former other employees.
5) The total remuneration to the CEO and Other employees in conjunction with contractual departure from employment during the year and which will be disbursed in 2019 totaled SEK 21,149 thousand in conjunction with the 2018 annual accounts.

The Board of Directors
SEK 2,819 thousand (2,470 k) was paid in Directors' fees to the Board of Directors of Medivir during the financial year, SEK 1 043 thousand (753 k) of which was paid to the Chairman of the Board. The Board Chairman was paid in addition to the basic fee by SEK 300 for extra work on structural measures. Members of the Board are also reimbursed for travel expenses in conjunction with Board Meetings, etc. There is no pension plan for the Board of Directors. In addition and in accordance with pre-existing contracts, royalties have been disbursed to Uppsala Hallbechem AB (Anders Hallberg) in the sum of SEK 63 thousand (215 k).

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 2,672 thousand (3,027 k), while bonuses totaled SEK 771 thousand (1,610 k), and other benefits SEK 0 thousand (93 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 414 thousand (938 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 October 2018, the management group, excluding the CEO, comprises six persons (three women and three men). Salaries totaling SEK 8,776 thousand (7,504 k) have been paid to other senior executives, together with SEK 1,530 thousand (1,781 k) in performance-related pay, SEK 1,123 thousand (1,402 k) in severance pay, and SEK 101 thousand (155 k) in benefits, comprising a total of SEK 11,529 thousand (10,842 k) in remuneration paid. Pension provisions have been made in the sum of SEK 1,550 thousand (1,330 k).

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

The level of the performance-related pay per individual is 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.

04 cont.

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 stock option-related incentive program introduced by the company in 2017 is provided below. Medivir's share-related incentive plan is reported in accordance with "IFRS 2 – Share-based Payment".

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. In May 2018, the Annual General Meeting approved a new long-term incentive plan with the same structure.

Stock option program 2018 (LTI-2018)
In the second quarter of 2018, Medivir's employees purchased 51,864 warrants with a market value of SEK 5.63 each and a strike price of SEK 52.75 per share. The warrants can be exercised to subscribe for new class B shares during the period from 16 December 2021 to 15 January 2022, inclusive. The 2018 valuation calculation was based on the following figures: term, 3.66 years; strike price, SEK 52.75; VWAP, SEK 39.66; risk-free interest rate, -0.16 percent; volatility, 32 percent. This brings the total number of outstanding warrants by 31 December 2018 to 109,699.

05 Leasing agreements including property rent

	THE GROUP		PARENT COMPANY	
SEK k	**2018**	**2017**	**2018**	**2017**
Costs for the year[1]	13,581	7,924	5,957	696
Nominal value of future minimum lease payments for irrevocable leasing agreements including property rent:				
Within one year[2]	13,036	12,160	5,645	5,154
Between two and five years[3]	50,113	49,675	20,552	21,651
Over five years[4]	34,590	46,334	25,352	30,570
Total	**97,739**	**108,169**	**51,549**	**57,375**

1) Costs for the year refer primarily to the rental of premises by Medivir UK and Medivir AB. Premises rental costs within the Group total SEK 11,884 thousand (6,053 k), of which Medivir AB's rental costs total SEK 4,260 thousand (-1,175 k), and Medivir UK's rental costs total SEK 7,624 thousand (7,228 k) and are reported under other operating expenses. SEK 8,743 thousand (8,652 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 1,119 thousand (1,424 k). The lease agreements for Medivir AB expire in 2018, a new lease agreement from 2019 has, however, been signed. 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 8,743 thousand will be recognized as revenue due to the subletting of the research facilities at Chesterford Park.
3) Of which SEK 32,460 thousand will be recognized as revenue due to the subletting of the research facilities at Chesterford Park.
4) Of which SEK 10,144 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	**2018**	**2017**	**2018**	**2017**
Impairment of capital contributions in subsidiaries	–	–	–1,092	–1,932
Total	**–**	**–**	**–1,092**	**–1,932**

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 307,606 thousand (514,057 k). The cash and cash equivalent position and short-term investments total SEK 286,282 thousand (467,780 k), and the equity/assets ratio is therefore 73.4 percent (83.4%).

The connection between IFRS 9 categories and Medivir's Balance Sheet items

The Group, 31 Dec. 2018, SEK k	Financial assets recognized at fair value in the Income Statement	Financial assets valued at amortised cost	Financial liabilities valued at amortised cost	Total
Accounts receivable	–	160	–	160
Other receivables	–	–	–	–
Other short-term investments	239,106	–	–	239,106
Cash and bank balances	–	47,175	–	47,175
Accounts payable	–	–	16,335	16,335
Borrowing	–	–	–	–
Financial leasing liabilities	–	–	–	–
Total	**239,106**	**47,335**	**16,335**	**302,776**

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**

Parent Company, 31 Dec. 2018, SEK k	Financial assets recognized at fair value in the Income Statement	Financial assets valued at amortised cost	Financial liabilities valued at amortised cost	Total
Accounts receivable	–	23,473	–	23.473
Other receivables	–	–	–	–
Other short-term investments	239,106	–	–	239,106
Cash and bank balances	–	36,740	–	36,740
Accounts payable	–	–	37,637	37,637
Borrowing	–	–	–	–
Financial leasing liabilities	–	–	–	–
Total	**239,106**	**60,213**	**37,637**	**336,956**

07 cont.

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**

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 financial assets and are recognized at fair value in the Income Statement.

	Carrying amount	Recognition at fair value at the end of the period, based on:		
The Group, 31 Dec. 2018, SEK k		**Level 1**	**Level 2**	**Level 3**
Financial assets recognized at fair value in the Income Statement:				
Short-term investments	239,106	239,106	–	–
Financial assets held for sale:				
Other receivables	–	–	–	–
Total assets	**239,106**	**239,106**		
Borrowing	–	–	–	–
Total liabilities	**–**	**–**	**–**	**–**

	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	**–**	**–**	**–**	**–**

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 286,282 thousand (467,780 k) on 31 December 2018. SEK 239,106 thousand (409,215 k) of this sum was invested in fixed income funds with discretionary management. An average return on cash and cash equivalents of –0.3 percent (0.35%) was achieved in 2018. The return has fluctuated during the year between –0.37 percent and 0.14 percent (–0.40% and 0.27%). 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 176 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 2018. 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 –6,469 thousand (1,108 k) in exchange rate profits/losses and the exchange rate items component of net financial items totals SEK 568 thousand (–1,473 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.

2018	Net sales	Costs	Operating profit/loss	Change +/– 5%
EUR	18,216	–28,471	–10,255	+/– 513
USD	7,134	–100,526	–93,392	+/– 4,670
GBP	8,743	–28,000	–19,257	+/– 963
DKK	0	–1,781	–1,781	+/– 89
NOK	0	–115	–115	+/– 6
SEK	–784	–218,382	–219,166	+/– 0
Other currencies	0	–7,065	–7,065	+/– 353
Total	**33,309**	**–384,339**	**–351,030**	**+/– 6,594**

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
Other currencies	–	–	–	–
Total	**36,639**	**–399,474**	**–362,835**	**+/– 7,801**

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

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 6,594 thousand (7,801 k). A corresponding weakening of the Swedish krona would have yielded a deterioration in the net profit/loss of SEK 6,594 thousand (7,801 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 IFRS 9.

Credit risk (counterparty risk)

Credit risk is the risk that a counterparty is unable to fulfill 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 160 thousand (536 k) in outstanding accounts receivable on the reporting date. The accounts receivable are reported at amortized cost, taking into account expected credit loss provisions. 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 2018, 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 2018, a bad debt loss of SEK 0 thousand (9,357 k) was reported, which in 2017 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	**2018**	**2017**	**2018**	**2017**
Not due	160	23	204	23
Due, 1–90 days	–	–	–	–
91+ days	–	513	–	513
Total	**160**	**536**	**204**	**536**

Other receivables total SEK 1,750 thousand (2,057 k), of which SEK 0 thousand (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 implemented a substantial reorganization in late 2018, and operating expenses will consequently decrease from 2019.

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. 2018	**Less than 1 year**	**1–2 years**	**More than 2 years**	**Less than 1 year**	**1–2 years**	**More than 2 years**
Accounts payable	13,736	2,599		13,730	2,599	

	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 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	**2018**	**2017**	**2018**	**2017**
Interest income, Group companies	–	–	362	323
Interest income, other	54	76	57	76
Dividends from fixed income fund	–	–	–	–
Exchange rate differences	2,550	2,693	2,550	2,693
Change in fair value of fixed income fund, unrealized	-53	4,570	-53	4,570
Total	**2,551**	**7,339**	**2,916**	**7,662**

09 Interest expenses and similar profit/loss items

	THE GROUP		PARENT COMPANY	
SEK k	**2018**	**2017**	**2018**	**2017**
Interest expenses, Group companies	–	–	–	–
Interest expenses, other	–15	–67	–15	–67
Exchange rate differences	–1,981	–4,166	–1,981	–4,166
Change in fair value of fixed income fund, unrealized	–	–	–	–
Total	**–1,996**	**–4,233**	**–1,996**	**–4,233**

10 Tax

	THE GROUP		PARENT COMPANY	
SEK k	**2018**	**2017**	**2018**	**2017**
Tax on the profit/loss for the year				
Current tax	161	512	20	–628
Change in deferred tax	–	–1,002	–	–
Tax on the profit/loss for the year	**161**	**–490**	**20**	**–628**
Applicable tax rate for the Parent Company	22%	22%	22%	22%
Difference between the Group's tax reported in the Income Statement and tax based on applicable tax rate				
Profit/loss before tax	–350,475	–359,729	–351,237	–360,714
Tax at the applicable rate for the Parent Company	77,105	79,140	77,272	79,357
Tax effect of non-deductible costs	–198	–170	–198	–170
Tax effect of non-taxable income	2,186	992	1,479	992
Effect of foreign tax rates	–	–	–	–
Adjustment of tax in respect of previous years	146	444	–	–696
Tax effect of loss carry-forwards not previously capitalized	–79,077	–80,896	–78,533	–80,111
Reported tax	**161**	**–490**	**20**	**–628**

10 cont.

Changes in deferred tax for the period:

The Group	On 31 Dec. 2017	Operation acquired	Operation sold	Recognized in profit/loss	Recognized in equity	On 31 Dec. 2018
Deferred tax receivable						
Capitalized loss carry-forward	–	–	–	–	–	–
Deferred tax liability						
Temporary differences relating to:						
Intangible assets	–	–	–	–	–	–
Untaxed reserves	–	–	–	–	–	–
Share-related incentive plans	–	–	–	–	–	–
Net deferred tax liability	–	–	–	–	–	–

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**	**–**	**–**

At the year-end, the total accumulated taxable loss of the Group was SEK 1,080 million (721 m) of which SEK 0 million (0 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. 2017	Operation acquired	Operation sold	Recognized in profit/loss	Recognized in equity	On 31 Dec. 2018
Deferred tax liability						
Share-related incentive plans	–	–	–	–	–	–
Net deferred tax liability	–	–	–	–	–	–

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	**–**	**–**	**–**	**–**	**–**	**–**

11 Earnings per share

	THE GROUP	
	2018	**2017**
Total operations		
Basic earnings per share, SEK[1]	–14.62	–16.40
Diluted earnings per share, SEK[2]	–14.62	–16.40
Net profit/loss for the year, SEK k	–350,314	–360,218
Average number of shares, '000[3]	23,956	21,963

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 2018.

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

12 Intangible fixed assets

2018, 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	–	–	119,545	18,662	–	119,545	18,662
Additions	–	–	–	–	–	–	–
Sales and disposals	–	–	–	–13,982	–	–	–13,982
Accumulated cost at year-end	–	–	**119,545**	**4,680**	–	**119,545**	**4,680**
Amortization at beginning of the year	–	–	–3,461	–3,127	–	–3,461	–3,127
Amortization for the year	–	–	–434	–3,760	–	–434	–3,760
Sales and disposals	–	–	–	4,536	–	–	4,536
Accumulated amortization at year-end	–	–	**–3,895**	**–2,351**	–	**–3,895**	**–2,351**
Depreciation at beginning of the year	–	–	–18,877	–	–	–18,877	–
Depreciation for the year	–	–	–	–2,218	–	–	–2,218
Sales and disposals	–	–	–	–	–	–	–
Accumulated depreciation at year-end	–	–	**-18,877**	**–2,218**	–	**-18,877**	**–2,218**
Book value at year-end	–	–	**96,773**	**111**	–	**96,773**	**111**

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**

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]	**2018**	**2017**	**2018**	**2017**
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	–3,774	–3,592	–3,774	–3,592
Depreciation for the year	–131	–182	–131	–182
Accumulated depreciation at year-end	**–3,905**	**–3,774**	**–3,905**	**–3,774**
Book value at year-end	**340**	**471**	**340**	**471**

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	**2018**	**2017**	**2018**	**2017**
Cost at beginning of the year	116,684	123,130	116,684	123,130
Capital expenditure	6,838	160	6,838	160
Sales and disposals	–21,269	–6,605	–21,269	–6,605
Accumulated cost at year-end	**102,253**	**116,684**	**102,253**	**116,684**
Depreciation at beginning of the year	–102,719	–101,827	–102,719	–101,827
Depreciation for the year	–5,021	–5,958	–5,021	–5,958
Sales and disposals for the year	15,975	5,065	15,975	5,065
Accumulated depreciation at year-end	**–91,765**	**–102,719**	**–91,765**	**–102,719**
Book value at year-end	**10,487**	**13,965**	**10,487**	**13,965**

14 Participations in Group companies

	PARENT COMPANY	
SEK k	**2018**	**2017**
Opening cost	149,175	147,243
Divestments	–	–
Shareholders' contributions made	1,092	1,932
Closing accumulated cost	**150,267**	**149,175**
Opening depreciation	-149,075	–147,143
Depreciation for the year	–1,092	–1,932
Closing accumulated depreciation	**–150,167**	**–149,075**
Book value at year-end	**100**	**100**

Subsidiary company:	**Corporate ID no.**	**Registered office**	**Number of shares**	**Share of capital**	**Book value, 2018**	**Book value, 2017**
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**

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	**2018**	**2017**	**2018**	**2017**
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 2018. As of 2014, gross values in respect of the opening book value and accumulated impairment losses are reported as totals per share holding.

16 Prepaid costs and accrued income

	THE GROUP		PARENT COMPANY	
SEK k	**2018**	**2017**	**2018**	**2017**
Prepaid rent	3,653	2,002	1,763	160
Licensing fees	3,135	2,935	3,135	2,935
Accrued royalty income	6,003	3,694	6,003	3,694
Repairs and Maintenance	1,260	1,169	1,260	1,169
Trade literature and publications	14	1,557	14	1,557
Insurance	–	531	–	531
Clinical studies	3,945	–	3,945	–
Other items	1,810	251	1,810	251
Total	**19,820**	**12,139**	**17,930**	**10,297**

17 Other short-term investments and cash equivalents

	THE GROUP		PARENT COMPANY	
SEK k	**2018**	**2017**	**2018**	**2017**
Fixed income and bond funds	239,106	409,215	239,106	409,215
Cash and bank balances	47,175	58,565	36,740	49,448
Total	**286,282**	**467,780**	**275,847**	**458,663**

The Group's net available cash on the balance sheet date amounted to SEK 286,282 thousand.

18 Provisions

	THE GROUP		PARENT COMPANY	
SEK k	**2018**	**2017**	**2018**	**2017**
Restructuring costs	37,669	7,057	37,669	7,057
Total	**37,669**	**7,057**	**37,669**	**7,057**

Allocations made in 2018 refer to personnel and premises costs in conjunction with the restructuring process implemented in the fourth quarter of 2018.

19 Accrued costs and deferred income

	THE GROUP		PARENT COMPANY	
SEK k	**2018**	**2017**	**2018**	**2017**
Accrued personnel costs	17,401	19,751	17,401	19,515
Accrued research costs	10,076	14,852	10,076	14,852
Deferred royalty payments	12,788	11,070	12,788	11,070
Deferred rental income	2,067	3,958	–	–
Accrued property costs	7,051	2,020	5,557	2,020
Other items	3,324	4,198	3,142	4,020
Total	**52,707**	**55,849**	**48,964**	**51,477**

20 Pledged assets

	THE GROUP		PARENT COMPANY	
SEK k	**2018**	**2017**	**2018**	**2017**
Floating charges	–	–	–	–
Bank balances (Escrow)	–	–	–	–
Total	**–**	**–**	**–**	**–**

21 Undertakings and contingent liabilities

	THE GROUP		PARENT COMPANY	
SEK k	**2018**	**2017**	**2018**	**2017**
Contractual guarantees as per transfer agreement	–	–	–	–
Parent Company guarantees for subsidiary companies	–	–	5,000	5,000
Total	**–**	**–**	**5,000**	**5,000**

21 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	887,745	110,014			777,731
Future contingent liabilities linked to net sales targets	1,086,668				1,086,668
Total	**1,974,413**	**110,014**			**1,864,400**

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 2018.

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 and entering as a liability in the company's Balance Sheet is based on the company's assumptions regarding the likelihood of reaching relevant milestones. No contingent liabilities were booked in 2018 since the company assessed that the likelihood of reaching the milestones is not yet high enough.

22 Cash flow analysis, supplementary disclosures

	THE GROUP		PARENT COMPANY	
SEK k	**2018**	**2017**	**2018**	**2017**
Interest paid and dividends received				
Dividends received	–	–	–	–
Interest payments received	57	76	419	399
Interest payments made	–15	–67	–15	–67
Adjustments for non-cash items				
Amortization and depreciation of assets	26,304	29,969	25,454	31,901
Unrealized exchange rate differences	–29	7	–	–
Capital gain/loss on sale/ disposal of fixed assets	–	–	–	–
Capital gain/loss on the sale of operations/subsidiaries	–	–	–	–
Change in restructuring provisions	30,612	–23,292	30,612	–23,292
Share savings plan: value of employees' service	–	–	–	–
Other	–	–	–	–
Total	**56,887**	**6,684**	**56,066**	**8,609**

23 Reconciliation of net debt

Reconciliation of net debt
The net debt and changes in the net debt in 2018 are analyzed below.

	THE GROUP		PARENT COMPANY	
	2018	**2017**	**2018**	**2017**
Cash and cash equivalents	47,175	58,565	36,740	49,448
Short-term investments	239,106	409,215	239,106	409,215
Accrued restructuring costs	–37,669	–7,057	–37,669	–7,057
Current liabilities	–74,077	–95,056	–91,231	–113,411
Net debt	**174,535**	**365,666**	**146,947**	**338,195**

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 2018	**58,565**	**409,215**	**–102,113**	–	**365,666**
Cash flow	–11,070	–324,894	–	–	–335,964
New share issue	–	154,785	–	–	154,785
Exchange rate differences	–320	–	–	–	–320
Other non-cash items	–	–	5,130	-14,763	–9,633
Net debt on 31 December 2018	**47,175**	**239,106**	**–96,983**	**-14,763**	**174,535**

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 2018	**49,448**	**409,215**	**–120,468**	–	**338,195**
Cash flow	–12,708	–324,894	–	–	–337,602
New share issue	–	154,785	–	–	154,785
Exchange rate differences	–	–	–	–	
Other non-cash items	–	–	6,331	–14,763	–8,432
Net debt on 31 December 2018	**36,740**	**239,106**	**–114,137**	**–14,763**	**146,947**

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
New share issue	–	–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**	**–**	**365,667**

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
New share issue	–	–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**

24 Events after the end of the reporting period

Change in Management Team
In February, Medivir announced that the CFO, Erik Björk, had decided to leave the company. He will, however, remain in his position for a transitional period. Lotta Ferm was appointed interim CFO effective as of 1 March. The recruitment process to find a permanent CFO is ongoing.

Nomination Committee proposes a new Board of Directors ahead of 2019 AGM
The Nomination Committee has agreed, ahead of the upcoming 2019 AGM, to propose that a new Board of Directors be appointed by means of the re-election of the Board's existing Members, namely Uli Hacksell, Lennart Hansson, Bengt Julander, Helena Levander and Bengt Westermark, and the new election of one Member, namely An van Es Johansson. The Nomination Committee proposes the election of Helena Levander as the Chairman of the Board. Anders Hallberg and Anna Malm Bernsten have declined re-election.

25 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, 26 March 2019

Anna Malm Bernsten
Chairman of the Board

Uli Hacksell
Member of the Board and CEO

Anders Hallberg
Member of the Board

Lennart Hansson
Member of the Board

Bengt Julander
Member of the Board

Helena Levander
Member of the Board

Bengt Westermark
Member of the Board

Our Audit Report was submitted on 26 March 2019
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 2018 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 December 31, 2018 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 December 31, 2018 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 majority of the transaction flow, as well as the processes implemented by the company applies to ensure financial reporting, have limited complexity and are limited in scope. The financial reporting is monitored by a limited group of people within the company's finance department, management and board.

Against this background, we have obtained audit evidence primarily by testing details in the books and records and the company's own controls regarding closing of accounts. The testing is carried out by random sampling, where we test individual transactions and items in the accounts and financial statements against supporting documentation.

Our audit of the consolidated financial statements have included the material unit, Medivir AB. Other companies that are part of the Group, in our opinion, constitute an insignificant part of the Group as a whole.

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 amortizations has not yet commenced. As described in the directors report under the section "risk factors" on page 31–32 development of pharmaceuticals is a risk filled and time-consuming process. Furthermore, the section entitled "Important estimates and assessments" on page 69 shows that intangible assets are associated with assessments and estimates of the future. How the assessment was made is disclosed in note 12 on page 68–69. The company has a separate R&D committee which continuously monitors and evaluates the result of ongoing research. The results from 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. 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 reviewed the model's mathematical accuracy and evaluated whether it is based on generally accepted valuation models with the support of internal valuation specialists. ● We have obtained the management's comments on the development of the research projects and the results presented through the company's press releases ● We have reviewed minutes from board meetings and R&D committees. ● We have evaluated input data in the model by checking information from external data sources and reports. 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 page 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 risked filled and time-consuming process. At December 31, 2018, the company has assessed that the probability criterion is not fulfilled and no part of the future potential milestone payments will be accounted for as liabilities The assessment requires management to apply estimates and judgments of the future to ensure that the correct amount is accounted for as liabilities 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 ● We have 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 1–28 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 2018 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, 2018 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 March 26, 2019

Öhrlings PricewaterhouseCoopers AB

Tobias Stråhle
Authorized public accountant

Key ratios

The Group	2018	2017	2016	2015	2014	2013
EBITDA, SEK k	–326,498	–342,580	–278,919	95,662	1,221,925	76,389
EBIT, SEK k	–351,030	–362,835	–312,380	55,428	1,188,731	25,164
Operating margin, %	–1,471.0	–990.3	–335.7	11.7	67.3	5.6
Profit margin, %	–1,468.7	–981.8	–329.7	9.7	67.5	6.2
Debt/equity ratio, multiple	0.4	0.2	0.1	0.1	0.1	0.1
Return on:						
shareholders' equity, %	–85.3	–32.1	–18.5	1.8	84.1	3.2
capital employed, %	–85.3	–32.0	–19.3	2.7	80.6	3.3
total capital, %	–67.7	–28.3	–17.3	2.5	75.2	3.3
Equity/assets ratio, %	73.4	83.4	90.2	89.7	90.8	85.7
Average number of shares, '000	23,956	21,963	26,941	29,048	31,260	31,260
Number of shares at year-end, '000	24,288	20,319	26,966	26,966	31,260	31,260
Earnings per share, SEK						
Basic earnings per share, all operations	–14.62	–16.40	10.50	2.59	36.24	–0.68
Diluted earnings per share, all operations	–14.62	–16.40	10.47	2.56	35.90	–0.68
Equity per share, before and after dilution, SEK[1]	12.67	25.31	64.38	54.04	63.42	27.27
Net worth per share, before and after dilution, SEK[1]	12.67	25.31	64.38	54.04	63.42	27.27
Cash flow per share from operating activities, SEK	–13.30	–16.32	–6.68	11.95	32.45	1.38
Cash flow per share after investments, SEK	–13.59	–16.94	23.05	11.44	31.88	4.93
Cash flow per share after financing activities, SEK	–7.58	–56.03	23.03	–10.99	31.88	3.37
Dividend per share, SEK	0	–	–	–	–	–
Number of outstanding share warrants	109,699	57,835	62,842	238,254	294,486	249,110
Capital employed	307,606	514,057	1,733,922	1,450,109	2,032,778	955,470
Research and development costs/operating expenses, %	76.3	79.4	78.8	73.1	60.8	65.7

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

Six-year summary

The Group, SEK k	2018	2017	2016	2015	2014	2013
Income Statements						
Net sales	23,863	36,639	93,043	474,274	1,766,989	446,146
Total expenses	–374,893	–399,474	–405,423	–418,846	–578,257	–420,983
Operating profit/loss	–351,030	–362,835	–312,380	55,428	1,188,731	25,164
Net financial items	555	3,106	5,655	–9,225	3,970	2,470
Profit/loss after financial items	–350,475	–359,729	–306,725	46,203	1,192,701	27,633
Tax	161	–490	11,870	–14,495	–59,966	–11,619
Profit/loss after tax	–350,314	–360,218	–294,855	31,708	1,132,735	16,014

	31 Dec. 2018	31 Dec. 2017	31 Dec. 2016	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013
Balance Sheets						
Intangible fixed assets	96,885	112,742	111,854	398,022	417,577	432,080
Tangible fixed assets	10,828	14,436	21,956	26,283	26,875	27,958
Financial fixed assets	0,00	–	–	–	2,500	10,001
Deferred tax receivables	0,00	–	1,002	–	–	43,187
Inventories and current receivables	25,358	21,213	88,209	114,008	341,317	80,025
Liquid assets and short-term investments	286,282	467,780	1,698,481	1,077,942	1,395,621	402,220
Equity	307,606	514,057	1,732,912	1,450,109	1,982,604	852,587
Deferred tax liability/provisions	0	–	–	351	468	–
Long-term interest-bearing liabilities	0	–	–	–	–	40,000
Long-term non-interest-bearing liabilities	14,763	–	–	–	–	–
Current liabilities	96,983	102,113	188,591	165,795	201,286	102,883
Balance Sheet total	419,352	616,171	1,921,503	1,616,255	2,183,891	995,470

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.

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.

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.

Futility analysis
An interim analysis of a clinical study where the objective is to investigate whether any benefit can be demonstrated in the study. The study will be terminated for "futility" if it is unlikely to demonstrate benefit.

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

Histone deacetylases (HDACs)
A class of enzymes that remove acetyl groups from histones.

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

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 (DNA).

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.

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, 2019

- Q1 Interim Report January–March, publishing date 3 May.
- Q2 Interim Report January–June, publishing date 28 August.
- Q3 Interim Report January–September, publishing date 27 November.

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

For additional information on Medivir, please contact Lotta Ferm, interim CFO.
Tel: +46 (0)8 5468 3100
lotta.ferm@medivir.com

2019 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, 9 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 3 May 2019,
- notify the company of their intention to attend, stating their name, address and telephone number, either by letters in the post to:
  Medivir AB, c/o Euroclear Sweden, PO Box 191, SE-101 23 Stockholm, Sweden
  or by telephone: +46 (0)8 402 92 37
  or by email: enter@medivir.se
  no later than 3 May 2019.

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 3 May 2019.

For full details of the 2019 Annual General Meeting, please see the convening notice on the website, www.medivir.com.

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Medivir AB
PO Box 1086
SE-141 22 Huddinge, Sweden
Visiting address: Lunastigen 7
Tel: +46 (0)8 5468 31 00
Email: info@medivir.com